City of McKinney, Texas

Annual Comprehensive Financial Report

Fiscal Year Ended September 30, 2025

FISCAL YEAR
2024-25

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Annual Comprehensive Financial Report

City of McKinney, Texas

Fiscal Year Ended
September 30, 2025

As Prepared By

Financial Services

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City of McKinney, Texas

Annual Comprehensive Financial Report
For the Fiscal Year Ended September 30, 2025
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Introductory Section

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February 24, 2026

Honorable Mayor and City Council,
City Manager,
Citizens of McKinney:

The Annual Comprehensive Financial Report (ACFR) of the City of McKinney, Texas (the City), for the fiscal year ended September 30, 2025, is hereby submitted in accordance with Section 46 of the City Charter.

This report provides the City Council, City staff, our citizens, our bondholders and other interested parties with detailed information concerning the financial condition and activities of the City government. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the City.

To the best of our knowledge and belief the enclosed data is accurate in all material respects and is organized in a manner designed to fairly present the financial position and results of operations of the City as measured by the financial activity of its various funds. We also believe that all disclosures necessary to enable the reader to gain the maximum understanding of the City's financial affairs have been included.

Weaver & Tidwell, LLP, Certified Public Accountants, has issued an unmodified ("clean") opinion on the City of McKinney's financial statements for the year ended September 30, 2025. The independent auditor's report is located at the front of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complements this letter of transmittal and the two should be read in conjunction with each other.

CITY OF MCKINNEY PROFILE

The City of McKinney, incorporated in 1848, is located in central Collin County, Texas, 30 miles north of downtown Dallas, on U.S. Highway 75. The City currently occupies a land area of 68 square miles and serves a population of approximately 237,416 as of January 1, 2026. The City is empowered to levy property tax on both real and personal properties located within its boundaries. It also is empowered by state statute to extend its corporate limits by voluntary annexation, which occurs periodically, when deemed appropriate by the landowner and governing council.

The City Council is comprised of a mayor and six members and is responsible for enacting ordinances, resolutions, and regulations governing the City, as well as appointing the members of various statutory and advisory boards, the City Manager, City Attorney, and Municipal Judges. The mayor and the council members are elected on a non-partisan basis. Both the mayor and council members serve four-year terms. Four of the council members are elected by district. The mayor and the two remaining council members are elected at large. The City Manager is the chief administrative officer of the government and is responsible for the enforcement of laws and ordinances, the appointment and supervision of the directors and heads of departments, and the performance of functions within the municipal organization.

The City of McKinney provides a full range of services including police, fire, emergency ambulance service, library, parks, recreation, water, sewer, airport, refuse collection and disposal, golf, traffic engineering, streets and infrastructure, community development (planning and zoning), economic development, public improvements, and general administrative services.

The financial reporting entity includes all funds of the primary government (i.e., the City of McKinney as legally defined), as well as the McKinney Urban Transit District, a separate legal entity. The McKinney Urban Transit District is included in governmental activities. Additionally, the financial statements include McKinney Economic Development Corporation (MEDC), McKinney Community Development Corporation (MCDC), McKinney Convention and Visitors Bureau (MCVB), McKinney Housing Finance Corporation (MHFC), and McKinney Main Street (MMS). These separate legal entities are reported as discretely presented component units on the government-wide statements.

LOCAL ECONOMY

McKinney has been one of the fastest growing cities in America since 2000. The City currently estimates population at 237,416. Compared to 195,308 in the 2020 census and 131,117 in the 2010 census, this is an increase of 22% and 81%, respectively.

This growth is due in large part to corporate relocations in McKinney's neighboring cities, including Toyota, State Farm Insurance, Liberty Mutual Insurance and the Dallas Cowboys. These major employers in Collin County create a positive economic overflow for McKinney through increased residential demand resulting in higher assessed values on property. In perspective, McKinney's assessed taxable values have increased 174% since fiscal year 2016.

In an effort to spur our economic growth in McKinney, the City works in conjunction with MEDC and MCDC to make McKinney rich with industry. McKinney is the home to major medical technology, data management, manufacturing, aviation, defense, mixed-use, office and retail. Companies range from Fortune 500 corporations to home-grown businesses. The impressive list includes Raytheon, Encore Wire, Baylor Medical Center at McKinney, Medical Center of McKinney, Torchmark/United American Insurance, UPS, PACCAR, Costco, SRS Distribution and Service First Mortgage.

The small business community is equally important to the vitality of McKinney's economy. McKinney's 177-year-old city center, one of the oldest authentic historic downtowns in Texas, serves as a thriving retail, dining, entertainment and business destination with over 150 unique small businesses. In 2024, Tupps Brewery, in collaboration with the City and MCDC, completed its new facility at the historic grain site. This project established a distinctive destination in McKinney and serves as a catalyst for development on the City's east side.

McKinney's growth and development over the past decade have been built on a strong foundation of overall planning, management, quality of life, and policy direction. All in all, the picture of McKinney is one of a vital community, facing the economic challenges and opportunities of the future with optimism and forethought.

LONG-TERM FINANCIAL PLANNING

The City prepares ten-year financial plans for the General Obligation Debt Service Fund and the General Fund. These longer-range planning documents help capture the larger scope of projects that will accommodate and foster future growth, while maintaining financial stability. Both plans are updated and reviewed annually by Council during the budget process.

In 2025, the City completed a long-term water/wastewater rate study that included capital improvement needs in the foreseeable future. This study again made rate suggestions to include passing through all North Texas Municipal Water rate increases at a minimum, which continues to be adopted by the City Council since first proposed in 2016 and is revisited on an annual basis during the budget process.

GENERAL OBLIGATION DEBT SERVICE LONG-TERM FINANCIAL PLAN

This ten-year plan was developed and adopted to pair the City's long-term debt capacity with the City's capital project financing needs. This plan was used to guide a 2024 bond referendum for voter authorization towards projects planned over the next ten years.

Revenues for the plan, which come from property taxes, are projected at conservative levels and are compared to future estimates of debt service payments. The primary variables are the rate of increase in property tax, debt issuances and new capital improvement projects planned during the projection period. It is the City's policy that the percentage of tax rate allocated to debt services will not be more than 35%.

GENERAL FUND LONG-TERM FINANCIAL PLAN

This plan accounts for the future operating needs of the General Fund. It takes into consideration increased operational demands as result of McKinney's expected population growth, as well as the operational impact of the capital projects outlined in the General Obligation Debt Service Long-Term plan.

Revenues for the General Fund plan are projected at conservative levels and are compared to expenditure increase estimates. The primary variables are the rate of increase in revenues and new projects or programs planned during the projection period. The City's General Fund revenue primarily comes from property taxes, sales tax and franchise fees. The remainder comes from licenses/permits, charges for service, fines and interest income.

FIVE-YEAR CAPITAL IMPROVEMENT PLAN

During the annual budget process, the City of McKinney publishes a capital improvement plan, which outlines the first five years of projects contained within the General Obligation Debt Service Long-Term financial plan and the water/wastewater rate study. The City annually evaluates the need to issue debt using the five-year capital improvement plan, staying within the guidelines of the approved debt policy and the General Obligation Debt Service ten-year financial plan.

RELEVANT FINANCIAL POLICIES

The City's financial policies set forth the basic framework for the fiscal management of the City. These include policies for accounting, budgeting, capital improvements, asset management, revenue management, and fund balance/reserve levels. These policies were developed within the parameters established by applicable provisions of the Texas Local Government Code and the City of McKinney City Charter. The policies are to be reviewed on an annual basis and modified to accommodate changing circumstances or conditions.

The City's accounting records for general governmental activities are maintained on a modified accrual basis, with the revenues being recorded when available and measurable and expenditures being recorded when the services or goods are received, and the liabilities are incurred. Accounting records for the City's water and sewer utility and other proprietary activities are maintained on the accrual basis.

In developing and maintaining the City's accounting system, consideration is given to the adequacy of the internal control structure. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding: (1) the safeguarding of assets against loss from unauthorized use or disposition; (2) the reliability of financial records for preparing financial statements and maintaining accountability for assets; and (3) compliance with all applicable rules, regulations and contractual requirements. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the evaluation of costs and benefits requires estimates and judgments by management.

All internal control evaluations occur within the above framework. We believe that the City's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

Budgetary control is maintained at the fund level. All annual appropriations lapse at fiscal year-end. Under the City's budgetary process, outstanding encumbrances are reported as reservations of fund balances and do not constitute expenditures or liabilities since the commitments will be re-appropriated and honored the subsequent fiscal year.

The annual budget serves as the foundation for the City of McKinney's financial planning and control. All requests for appropriation by the departments, divisions, and component units of the City of McKinney shall be furnished to the City Manager on or before August 1st each year. A proposed budget is presented to the City Council for review on or before August 15th. The City Council is required to hold public hearings on the proposed budget and to adopt a final budget no later than September 30th, the close of the City's fiscal year. The appropriated budget is prepared by fund, function (e.g. public safety), and department (e.g. police). Transfer of appropriations within a department and within funds may be made with approval from the City Manager or his designee. Transfers between funds or additional appropriation require the approval of the City Council.

TAX ABATEMENTS

The City enters into economic development agreements designed to promote development and redevelopment within the City, spur economic improvement, stimulate commercial activity, generate additional sales tax and enhance the property tax base and economic vitality of the City. These programs abate or rebate property tax revenues. The City's economic development agreements are authorized under Chapter 380 of the Texas Local Government Code and Chapter 312 (Property Redevelopment and Tax Abatement) of the Texas Tax Code.

Under these Codes, the City may award tax abatements/grants of up to 100 percent of a business's property and sales taxes for the purpose of attracting or retaining businesses within their jurisdiction. The abatements/grants may be awarded to any business located within or promising to relocate to the City of McKinney.

MAJOR INITIATIVES

The City of McKinney undertakes major initiatives based on City Council goals and strategies, dubbed as "McKinney First." These are the building blocks for McKinney's success.

MAXIMIZING THE POTENTIAL OF THE MCKINNEY NATIONAL AIRPORT
The City of McKinney is devoted to growing the present and future economic wealth within the City, and McKinney National Airport continues to be a strategic driver of regional aviation and economic activity. In fiscal year 2025, the airport marked several key milestones in its ongoing transformation from a general aviation facility toward commercial air service. In July 2025, the City broke ground on a new passenger terminal, a $79 million project that will initially include four gates, a parking facility, rental car services, and associated infrastructure, with the capacity to serve more than 500,000 passengers annually once operational. The project remains on schedule for completion in late 2026, with commercial flights anticipated soon thereafter.

During the year, McKinney National Airport also opened a dedicated U.S. Customs and Border Protection facility, significantly enhancing its international connectivity and supporting increased private international arrivals. Taxiway improvements and eastside airfield projects funded in part through state grants have advanced, alongside grading and earthwork for runway extension and other airfield development activities that continue to improve operational capacity. Private investment and public partnerships remain strong, reflecting sustained interest in airport-related growth and positioning McKinney National Airport as a key asset for regional travel, business, and economic opportunity.

DIRECTION FOR STRATEGIC AND ECONOMIC GROWTH
The City of McKinney, in partnership with MEDC and MCDC, offers development incentive agreements to businesses that enhance the economic and social well-being of its residents. Major projects receiving incentives in 2025 include the VENU Sunset Amphitheater, which is beginning construction on a venue with a capacity of up to 20,000, and Cannon Beach, which is planning a 35-acre development featuring a four-acre surf lagoon, a full-service resort-style hotel, and a mix of dining, entertainment, and commercial spaces.

ENHANCE THE QUALITY OF LIFE IN MCKINNEY
The City of McKinney remains committed to providing exceptional recreational opportunities that enrich the quality of life for residents and visitors. During Fiscal Year 2025, several major parks projects reached key milestones. Renovations to the Recreation Center at Towne Lake were completed, featuring updated fitness equipment, expanded restrooms and locker rooms, modernized gathering spaces, and additional parking to better serve community needs. E.A. Randles Park reopened following a comprehensive renovation, which included a new splash pad, upgraded play equipment, pavilion, basketball court, expanded parking, and connected trail system. Aviator Park also completed major accessibility and play-area upgrades with new structures, enhanced safety surfacing, shade features, and site furnishings. Construction continued on the McKinney Greens Park project, adding trails, a playground, pavilion, and scenic pond overlook. The McKinney Light Walk at Towne Lake Park, an illuminated trail experience designed to enhance after-dark park use, officially opened with a ribbon-cutting in December 2025. Playground equipment replacements and trail improvements continued throughout McKinney's parks, reinforcing the City's long-term commitment to safe, accessible, and engaging public spaces.

OPERATIONAL EXCELLENCE
The City of McKinney holds transparency to be one of its highest values in achieving operational excellence. The city offers substantial transparency measures in an ongoing effort to provide a more open government and continues to add more ways residents can learn about city activities. The City maintains a transparency page on its website which offers news, projects, financial information, agendas, legal updates, hot topics, and other initiatives in one location. The site also includes an interactive financial reporting tool and a performance insight tracking tool to show how city departments are performing against City Council and department goals.

CAPITAL PROJECT INITIATIVES

For Fiscal Year 2024, the City continued construction of the new Municipal Complex and the Craig Ranch Soccer Complex. Design and early construction activities advanced for the Fire Department Complex, which will consolidate administrative, training, logistics, and station functions. Airport capital projects also progressed, including runway, hangar, and airfield expansion activities. In addition, the City advanced numerous street, water, and wastewater improvement projects to support population growth and address infrastructure needs.

For Fiscal Year 2025, the City completed construction and began operations at the new Municipal Complex, with staff moving into the facility in January 2025 and only minor completion activities continuing thereafter. Construction of the Fire Department Complex continued as one of the City's largest public safety capital investments. During the year, the City also broke ground on the commercial passenger terminal at McKinney National Airport. Major water and wastewater projects moved forward, including construction of an elevated storage tank, pump station improvements, utility relocations associated with state roadway projects, and ongoing water and wastewater main rehabilitation. Citywide street, transportation, and technology projects also progressed to support mobility, operational efficiency, and long-term infrastructure demands.

For Fiscal Year 2026, major project initiatives include the Roy & Helen Hall Library Re-imagine project and completion of the new municipal complex, as well as continued construction of the Fire Department Administration facility. A series of infrastructure projects is planned on the east side of McKinney National Airport to support the airport's continued growth as the west side nears buildout. These improvements will also facilitate future commercial service operations in response to air carrier interest. Numerous street and water/wastewater improvement projects will continue to move forward to accommodate population growth and address aging infrastructure needs.

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of McKinney for its ACFR for the fiscal year ended September 30, 2024. This was the forty-first consecutive year the City has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized annual comprehensive financial report. This report must satisfy both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The current ACFR will be submitted to the GFOA where we expect it to meet the Certificate of Achievement eligibility requirements.

The City also received the GFOA's Award for Distinguished Budget Presentation for its annual program of services dated October 1, 2024. This is the forty-first consecutive year the City has received the award. In order to qualify for the Distinguished Budget Presentation Award, the government's budget document was judged to be proficient in several categories including policy document, financial plan, operations guide, and communications device.

Also, in 2025, McKinney maintained its six Texas Comptroller of Public Accounts Transparency Stars for Traditional Finances, Debt Obligations, Contracts and Procurement, Economic Development, Open Government and Compliance, and Public Pensions. This award program recognizes local governments across Texas for going above and beyond in their transparency efforts. The Texas comptroller received two hundred and fifty applications from local entities, of which only sixteen received the maximum six Transparency Stars.

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the Financial Services Department, our Audit Committee, and our independent auditors. We would like to express our sincere appreciation to those persons who have made possible the publication of this report. Credit also must be given to the Mayor, City Council and the City Manager's Office for their support for maintaining the highest standards of professionalism in the management of the City of McKinney's finances.

Respectfully submitted,

Mark Holloway
Chief Financial Officer

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of McKinney
Texas

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

September 30, 2024

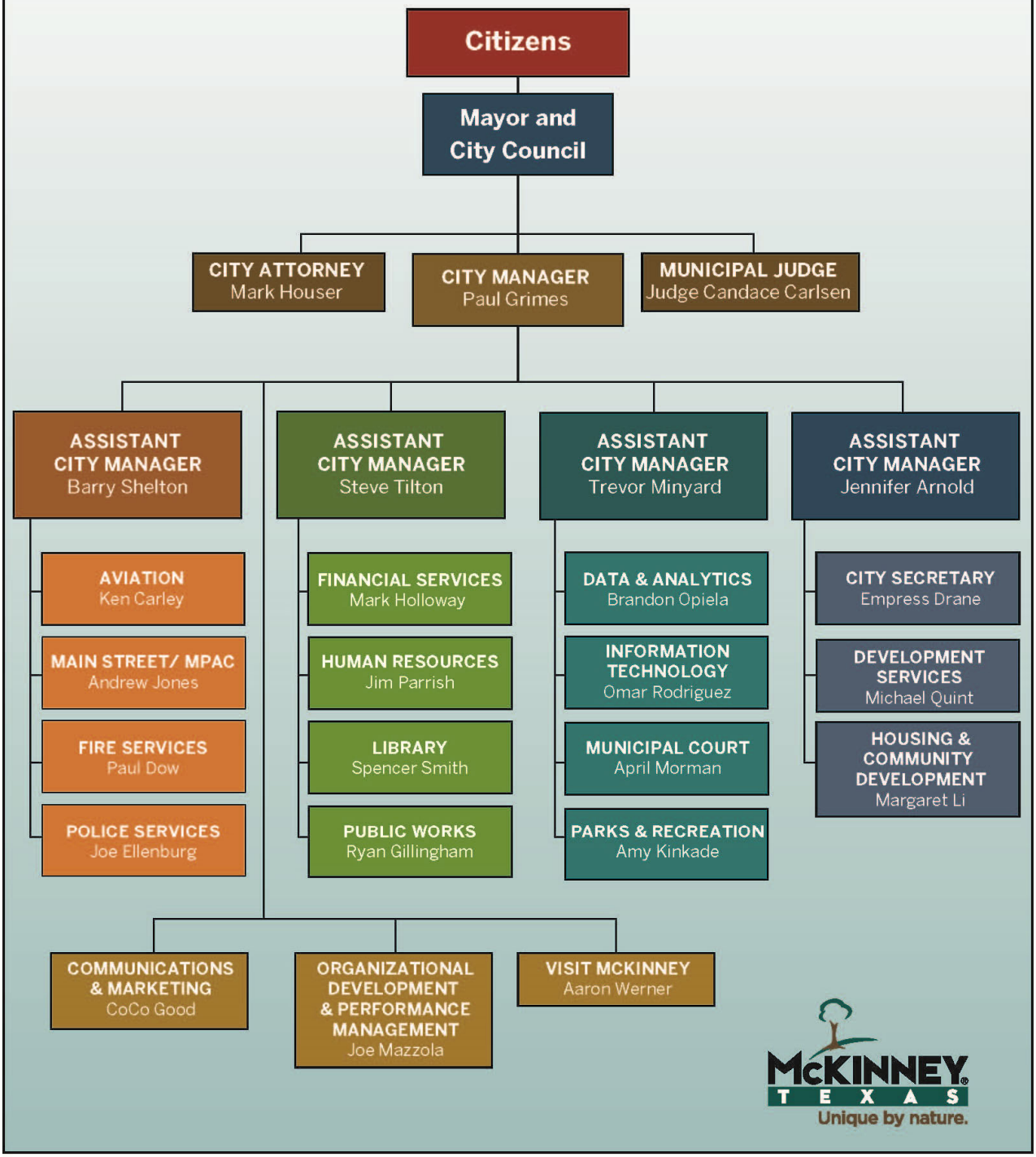
Christopher P. Morrill

Executive Director/CEO

CITY OF McKINNEY

ORGANIZATIONAL CHART

(AS OF NOV. 12, 2025)



City of McKinney, Texas
City Officials

CITY COUNCIL

Bill Cox, Mayor
Geré Feltus, Mayor Pro-Tem
Justin Beller
Patrick Cloutier
Rick Franklin
Ernest Lynch
Michael Jones

CITY MANAGER

Paul Grimes

ASSISTANT CITY MANAGERS

Jennifer Arnold
Trevor Minyard
Barry Shelton
Steve Tilton

CHIEF FINANCIAL OFFICER

Mark Holloway

Financial Section

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972-490-1970

Independent Auditor's Report

Members of the City Council
City of McKinney, Texas

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of McKinney, Texas (City), as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2025, and the statement of revenues, expenditures, and changes in fund balance – budget and actual for the General Fund and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in Note 3 to the basic financial statements, during the year ended September 30, 2025, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 101, Compensated Absences. Beginning net position has been restated as a result of the implementation of this statement. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

The City's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying combining and individual fund financial statements and schedules are presented for purposes of additional analysis and is not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the accompanying combining and individual fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information Included in the Annual Comprehensive Financial Report (ACFR)

Management is responsible for the other information included in the ACFR. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 24, 2026 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Dallas, Texas
February 24, 2026

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Management's Discussion and Analysis

As management of the City of McKinney, we offer readers of the City of McKinney financial statements this narrative overview and analysis of the financial activities of the City of McKinney for the fiscal year ended September 30, 2025. Please read this in conjunction with the transmittal letter at the beginning of the report and the City's financial statements following this section.

I. FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City of McKinney exceeded its liabilities and deferred inflows of resources at September 30, 2025, by $2,141 million (Net Position). Of this amount, $1,553 million (73%) are invested in capital assets which do not directly generate revenue and are not available to generate liquid capital. Net position restricted for specific purposes total $282 million (13%). The remaining $307 million (14%) is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors.
- The City of McKinney's net position increased by $237 million or 12%. Unrestricted net position, which may be used to meet the City's ongoing obligations to citizens and creditors, increased by $15 million or 5%.
- At the close of the current fiscal year, the City of McKinney's governmental funds reported combined ending fund balances of $573.9 million, an increase of $22.6 million in comparison to the prior year. Approximately $98.1 million, or 17%, of the fund balance is available for spending at the government's discretion (unassigned fund balance).
- Within the combined fund balances, $5.2 million is non-spendable for inventory and prepaid items. Fund balance is restricted in the amounts of $9.6 million for debt service, $404.1 million is for street construction and other capital projects, and $15.4 million for courts, grants and the other external constraints of special revenue funds. Assignments of fund balance have been made in the amounts of $15.6 million for other postemployment benefits (OPEB), $24.4 million for capital equipment replacement, $0.6 million for disaster relief and $0.7 million for public and performing arts. The remaining $98.1 million is unassigned fund balance and can be used for any lawful purpose. The unassigned fund balance is equal to 47% of total general fund expenditures. This represents 16% more than the fund balance policy requirement of 25%.
- On a government-wide basis, the City's total liabilities increased by $13.1 million or 1% during the current fiscal year. Major contributable factors include debt issuances resulting in net increase of $33.5 million increase to bonds payable including associated changes in bond premiums.

II. OVERVIEW OF THE FINANCIAL STATEMENTS

Management's discussion and analysis is intended to serve as an introduction to the City of McKinney's basic financial statements. The City of McKinney's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Government – Wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of the City of McKinney's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the City of McKinney's assets, deferred outflows of resources and liabilities, with the difference between the total of assets and deferred outflows of resources and liabilities reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of McKinney is improving or deteriorating.

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

Thus, revenues and expenses are reported in these statements for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave). Both the statement of net position and the statement of activities are prepared utilizing the accrual basis of accounting as opposed to the modified accrual basis used in prior reporting models.

In the Statement of Net Position and the Statement of Activities, the City is divided into three kinds of activities:

- **Governmental Activities** – Most of the City's basic services are reported here, including administrative, police, fire, development, public works, parks, and library. Property taxes, sales taxes, hotel occupancy taxes, franchise fees, licenses and permit fees finance most of these activities.

- **Business-type Activities** – The City charges a fee to customers to cover all or most of the cost of certain services it provides. The City's water and wastewater system, solid waste system, airport, golf course and surface water drainage system are reported here.

- **Component Units** – The City includes five separate legal entities in its report –McKinney Economic Development Corporation, McKinney Community Development Corporation, McKinney Convention and Visitors Bureau, McKinney Main Street, and McKinney Housing Finance Corporation. Although legally separate, these component units are important because the City is financially accountable for them.

The government-wide financial statements can be found on pages 21-23 of this report.

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of McKinney, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of McKinney can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

- **Governmental Funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

  Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

  The City of McKinney maintains twelve individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, debt service fund, and capital projects fund, all of which are considered to be major funds. Data from the other nine governmental funds are combined into a single, aggregated presentation.

Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The City of McKinney adopts an annual appropriated budget for its general fund, debt service fund, capital projects fund, grants fund and non-major special revenue funds. Budgetary comparison statements have been provided for each of these funds to demonstrate compliance with the budget.

The basic governmental fund financial statements can be found on pages 24-29.

- **Proprietary Funds.** The City charges customers for the services it provides, whether to outside customers or to other units within the City. These services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. There are two types of proprietary funds: enterprise funds and internal service funds. The City's enterprise funds are identical to the business-type activities that are reported in the government-wide statements, but provide more detail and additional information, such as cash flows, for proprietary funds. Because these services benefit both governmental as well as business-type functions, they have been included in both the governmental and business-type activities in the government-wide financial statements.

  The City of McKinney maintains five individual enterprise funds to account for its water and wastewater, airport, solid waste, golf course, and surface water drainage. The water and wastewater fund and airport fund are considered major funds, while the solid waste fund, golf course fund and surface water drainage fund are considered as non-major funds of the City. Individual fund data for each of these funds is provided in the form of combining statements in this report.

  The City of McKinney uses the internal service funds as an accounting device to accumulate and allocate costs internally among the City's various functions. The City maintains one internal service fund to account for the claims of the City's self-funded insurance program and risk management program.

  The basic proprietary fund financial statements can be found on pages 30-33.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 39-90.

Other Information. In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information concerning the City of McKinney's progress in funding its obligation to provide pension benefits and other postemployment benefits to its employees, which can be found on pages 92-99.

The combining statements referred to earlier in connection with the non-major governmental funds, non-major enterprise funds and discretely presented component units are presented immediately following the required supplementary information on pensions. Combining statements and individual fund statements can be found on pages 102-139 of this report.

III. GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of McKinney, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $2,141 million as of September 30, 2025.

By far the largest portion of the City's net position, $1,553 million or 73% reflects its investment in capital assets (e.g. land, buildings, machinery, and equipment) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

An additional portion of the City of McKinney's net position, $282 million or 13%, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, $307 million or 14% may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City reported a positive balance in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

The net position for governmental activities and business-type activities are summarized as follows:

Table 1
Net Position
(in Thousands)

	Governmental Activities		Business-Type Activities		Total	
	FY 2025	FY 2024	FY 2025	FY 2024	FY 2025	FY 2024
Assets						
Current and other assets	$ 661,532	$ 644,286	$ 495,603	$ 459,498	$ 1,157,135	$ 1,103,784
Capital assets	1,151,352	1,042,419	897,845	792,571	2,049,197	1,834,990
Total assets	1,812,884	1,686,705	1,393,448	1,252,069	3,206,332	2,938,774
Deferred outflows of resources	25,936	33,050	6,143	7,118	32,079	40,168
Liabilities						
Other liabilities	52,129	53,567	47,499	60,480	99,628	114,047
Long-term liabilities outstanding	630,163	613,949	323,079	311,809	953,242	925,758
Total liabilities	682,292	667,516	370,578	372,289	1,052,870	1,039,805
Deferred inflows of resources	33,926	24,364	10,567	10,362	44,493	34,726
Net position						
Net investment in capital assets	814,236	720,559	738,419	651,140	1,552,655	1,371,699
Restricted	256,314	216,732	25,395	24,015	281,709	240,747
Unrestricted	52,052	90,584	254,632	201,381	306,684	291,965
Total net position	$ 1,122,602	$ 1,027,875	$ 1,018,446	$ 876,536	$ 2,141,048	$ 1,904,411

The City of McKinney's net position increased by $237 million during the current fiscal year. This was driven by an increase in governmental and business-type net position of $95.3 million and $142.0 million, respectively. There was also a change in accounting principle that restated net position for governmental activities by $537 thousand and business-type activities by $76 thousand related to the implementation of GASB 101. Details are listed in the table below.

Table 2
Changes in Net Position
(in Thousands)

	Governmental Activities		Business-Type Activities		Total	
	FY 2025	FY 2024	FY 2025	FY 2024	FY 2025	FY 2024
Revenues:						
Program revenues:						
Charges for services	$ 37,141	$ 35,214	$ 202,431	$ 180,395	$ 239,572	$ 215,609
Operating grants and contributions	5,494	5,231	45,103	5,488	50,597	10,719
Capital grants and contributions	93,997	70,092	83,463	61,641	177,460	131,733
General revenues:						
Property taxes	170,430	159,252	-	-	170,430	159,252
Sales taxes	53,518	51,747	-	-	53,518	51,747
Franchise taxes	21,881	20,467	-	-	21,881	20,467
Other taxes and fees	162	203	-	-	162	203
Investment income	27,901	35,690	20,053	24,960	47,954	60,650
Other revenues	7,150	4,342	704	8,165	7,854	12,507
Total revenues	417,674	382,238	351,754	280,649	769,428	662,887
Expenses:						
General government	66,921	71,474	-	-	66,921	71,474
Police	57,623	54,338	-	-	57,623	54,338
Fire	54,852	49,868	-	-	54,852	49,868
Libraries	4,862	5,038	-	-	4,862	5,038
Development	16,929	15,533	-	-	16,929	15,533
Parks and recreation	32,662	31,679	-	-	32,662	31,679
Public works	73,119	64,771	-	-	73,119	64,771
Interest on long-term debt	20,562	19,073	-	-	20,562	19,073
Airport	-	-	17,151	16,592	17,151	16,592
Water/Wastewater	-	-	162,749	142,757	162,749	142,757
Solid Waste	-	-	19,544	10,266	19,544	10,266
Golf Course	-	-	116	64	116	64
Surface Water Drainage	-	-	5,098	4,787	5,098	4,787
Total expenses	327,530	311,774	204,658	174,466	532,188	486,240
Increase (decrease) in net position before transfers and special items	90,144	70,464	147,096	106,183	237,240	176,647
Transfers	5,110	5,218	(5,110)	(5,218)	-	-
Increase (decrease) in net position	95,254	75,682	141,986	100,965	237,240	176,647
Net Position - Beginning, as previously presented	1,027,875	952,193	876,536	775,571	1,904,411	1,727,764
Change in Accounting Principle - GASB 101	(527)	-	(76)	-	(603)	-
Net Position - Beginning, as restated	1,027,348	952,193	876,460	775,571	1,903,808	1,727,764
Net Position - Ending	$ 1,122,602	$ 1,027,875	$ 1,018,446	$ 876,536	$ 2,141,048	$ 1,904,411

Governmental Activities

Governmental activities increased the City's net position by $95.3 million during the current fiscal year. The key elements of this increase are as follows:

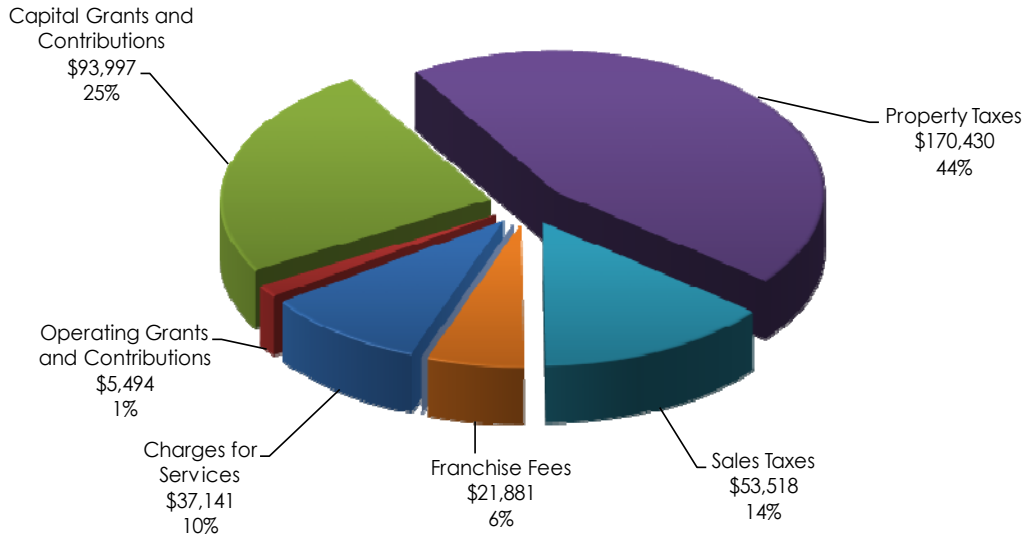
Revenues

- Property Taxes increased by $11.6 million as a result of a 7% increase in certified taxable value.
- Charges For Services increased by $7.5 million or 51% as a result of the new EMS billing provider recognizing billings for both FY24 and FY25.
- Contributions increased by $27.6 million or 46% due to $26 million in increased capital contributions.

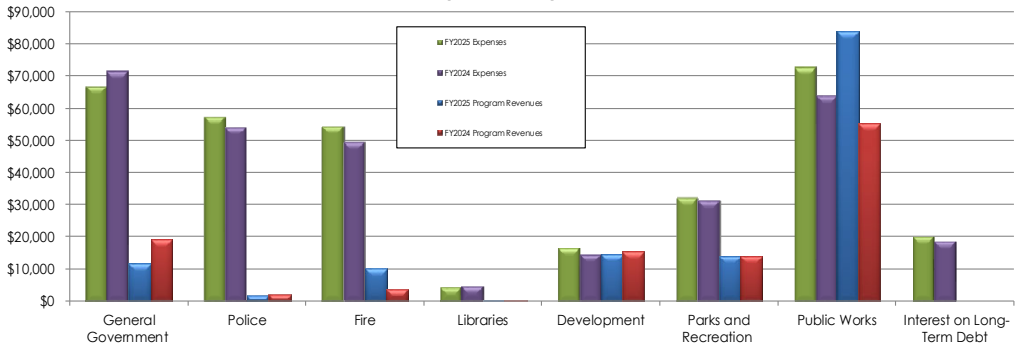
Expenses

- Police and Fire increased $4.4 million and $5.7 million, respectively, due to new positions added, and pay plan adjustments/step increases.
- Capital outlay decreased $22.7 million due to decreased capital project activity in FY 2025.

Revenues by Source - Governmental Activities (in Thousands)


Capital Grants and Contributions $93,997 25%
Property Taxes $170,430 44%
Operating Grants and Contributions $5,494 1%
Charges for Services $37,141 10%
Franchise Fees $21,881 6%
Sales Taxes $53,518 14%

Expenses and Program Revenues - Governmental Activities (in Thousands)



Business-type Activities

Business-type activities increased the City of McKinney's net position by $142.0 million, accounting for the increase in the government's net position. Key elements of this increase are as follows:

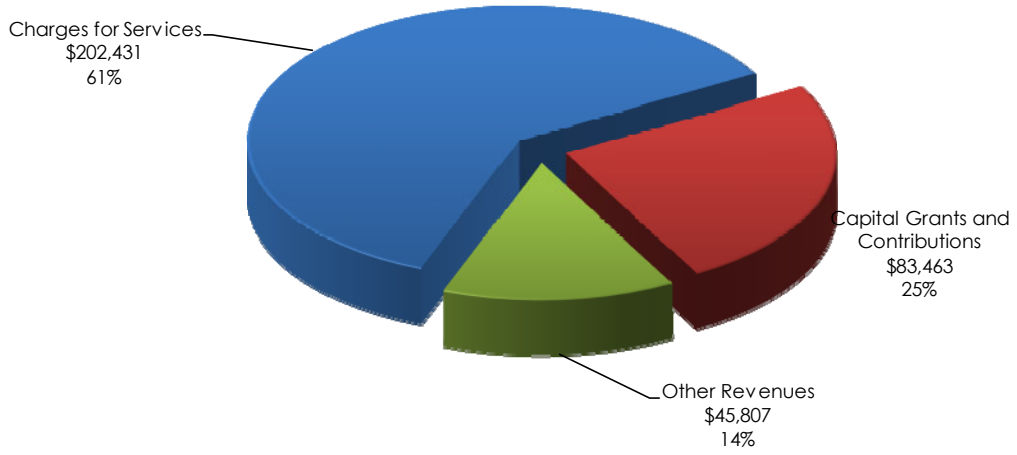
Revenues

- The Water/Wastewater Fund's operating revenues increased by $9.7 million, or 6% as a result of adding approximately 1,800 new customer accounts.
- The Water/Wastewater Fund received capital contributions of $63 million relating to continued development in the City.
- The Airport Fund received intergovernmental revenue of $45 million relating to continued development at the Airport.

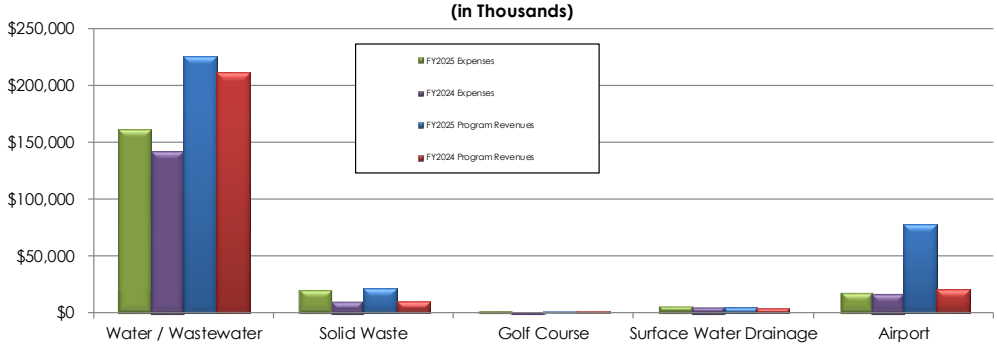
Expenses

- The Water/Wastewater Fund's operating expenses increased by of $18 million or 14%. This increase is attributed to an increase of $9.6 million in water purchases from North Texas Municipal Water District.
- The Solid Waste Fund's operating expenses increased by $9.3 million (90%), primarily because payments to the City's trash provider were recorded as operating expenses in FY2025.

Revenues by Source - Business-Type Activities
(in Thousands)



Expenses and Program Revenues - Business-type Activities
(in Thousands)



Financial Analysis of the City's Funds

Governmental Funds
The focus of governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the close of the current fiscal year, the governmental funds reported combined ending fund balances of $573.9 million, an increase of $22.6 million or 4% in comparison to the prior year. Approximately $98.1 million or 17% of this total amount constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of the fund balance is either considered non-spendable, restricted, or assigned in conformance with GASB 54 requirements. Please see page 24 for financial details and notes to financial statements for category definitions.

General Fund. The general fund is the chief operating fund of the City of McKinney. At the end of the current fiscal year, the unassigned general fund balance was $98.1 million, while total fund balance was $145.3 million. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 41% of total general fund expenditures.

General fund balance increased $5.7 million, or 4%, over the prior year due to increases in property tax revenue from higher property valuations and strong investment income due to favorable market conditions.

The original budget included a planned decrease in fund balance of $2.8 million. However, the general fund balance increased by $5.7 million or 4% during the current fiscal year. Actual revenue was above budget by $1.4 million primarily related to investment income being $1.5 million over the original budget, as well as charges for services being $1.3 million over the original budget. Property taxes came in under budget by $1.9 million.

Debt Service Fund. The debt service fund had a total fund balance of $9.6 million, an increase of $15 thousand over the prior year.

Capital Projects Fund. The governmental capital projects fund had an ending fund balance of $371.8 million. Total expenditures for the current year were $100.1 million. The large fund balance is due primarily to the issuance of long-term debt during the fiscal year. A second factor contributing to the large fund balance is the result of many unfinished projects. Most of the projects have long duration due to the acquisition of right-of-way and construction phases.

Proprietary Funds
The City's proprietary funds provide the same type of information that is found in the government-wide financial statements for business-type activities, but in more detail. At September 30, 2025, net position of the proprietary funds included the following amounts of net position:

Water and Wastewater Fund. Water and Wastewater Fund net position increased by $64.3 million resulting primarily from capital contributions. Operating revenues totaled $162.2 million, an increase of $9.7 million, or 6.4% over the prior year due to adding approximately 2,300 new customer accounts. Operating expenses in the Water and Wastewater Fund were $150.2 million, an increase of $18.3 million or 14% over the prior year, primarily a result of the increases in NTMWD water purchase rates and sewer service charges.

Airport Fund. The City's Airport Fund ended the year with a net position of $252.2 million, which was an increase of $74.7 million compared to the previous year. Operating revenues increased by $39.4 million, primarily driven by $39.6 million in intergovernmental revenue. Additionally, the Airport Fund received $19.6 million in contributions to support airport development. Operating expenses increased by $600 thousand, largely due to an increase in utilities.

Solid Waste Fund. The City's Solid Waste Fund net position increased by $2.3 million. Operating revenues totaled $21 million, which was an increase of $10.7 million as compared to the previous year. Operating expenses and net transfers were $20.1 million which were $9.3 million higher than the previous year.

Golf Course Fund. The Golf Course Fund net position increased by $216 thousand. Revenues were approximately $275 thousand which as mainly attributable to the contract fee. Expenses were primarily depreciation totaling $116 thousand. In October 2008, the management of the golf course was outsourced to a contractor, DWW Golf Management. The contractor is responsible for collecting all revenues and budgeting for operating expenses. Under the contract terms, the City of McKinney collects an amount equal to 8% of gross revenues.

Surface Water Drainage Fund. The Surface Water Drainage Fund's net position increased by $449 thousand to $6.8 million. Charges for services remained relatively consistent with the prior year at $5.7 million.

General Fund Budgetary Highlights

The actual FY2024-25 expenditures were $239.2 million, $10 million less than the final budget of $249.2 million. However, at the end of the year, $5.3 million of budgeted vehicles were re-appropriated to fiscal year 2026.

Actual revenues ere $232.6 million or $1.4 million more than the $231.2 million budget plan. The final revenue budget was $8 million more than the original adopted budget mainly attributed to the increase in charges for services.

IV. CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets. At the end of the fiscal year, the City had $2.0 billion invested in a broad range of capital assets, including land and buildings, roads, bridges, water and wastewater systems, drainage systems, park facilities, and police and fire equipment, as well as right-to-use lease and SBITA assets. This amount represents a net increase (including additions and deductions) of $214 million over the prior fiscal year.

Capital assets, net of accumulated depreciation in thousands, for governmental activities and business-type activities are summarized as follows:

Table 4
Capital Assets at Year-end
(Net Accumulated Depreciation, in Thousands)

	Governmental Activities		Business-Type Activities		Total	
	FY 2025	FY 2024	FY 2025	FY 2024	FY 2025	FY 2024
Land	$ 93,857	$ 93,657	$ 53,897	$ 53,898	$ 147,754	$ 147,555
Works of art	1,189	1,060	-	-	1,189	1,060
Construction in progress	148,098	235,438	86,969	69,718	235,067	305,156
Buildings	285,301	175,054	69,167	49,596	354,468	224,650
Right-to-use leased assets	4,611	4,821	232	306	4,843	5,127
SBITA assets	2,519	96	-	-	2,519	96
Infrastructure	579,680	503,069	656,964	589,698	1,236,644	1,092,767
Machinery and equipment	36,065	29,190	30,616	29,355	66,681	58,545
Service animals	32	34	-	-	32	34
Total	$ 1,151,352	$ 1,042,419	$ 897,845	$ 792,571	$ 2,049,197	$ 1,834,990

Capital project commitments as of September 30, 2025:

Description	Appropriated Commitment
Water/Wastewater Projects	$ 201,849,946
Streets Projects	151,136,541
Library Projects	20,186,227
Parks Projects	92,517,489
Public Safety Projects	26,445,538
Municipal Facilities	20,306,113
Technology Projects	6,466,041
Stormwater Projects	7,874,377
Airport Projects	111,971,332
	$ 638,753,604

Additional information about the City's capital assets is presented in Note (3) to the financial statements at pages 60-63.

Long-term Debt. At year end, the City had $838 million in general obligation bonds, certificates of obligation, tax notes and revenue bonds. The total debt was $804 million at the end of the prior fiscal year. This represents an increase of 4%. All outstanding debt is summarized in thousands below:

	Governmental Activities		Business-Type Activities		Total	
	FY 2025	FY 2024	FY 2025	FY 2024	FY 2025	FY 2024
General obligation bonds, certificates of obligations and tax notes (backed by the City)	$ 533,032	$ 510,209	$ -	$ -	$ 533,032	$ 510,209
Revenue bonds (backed by fee revenues)	-	-	304,756	294,117	304,756	294,117
Totals	$ 533,032	$ 510,209	$ 304,756	$ 294,117	$ 837,788	$ 804,326

In 2025, the City once again received the highest ratings issued from two major credit rating agencies for its general obligation (GO) bonds. Moody's Investors Service reaffirmed its Aaa rating and Standard and Poor's reaffirmed its AAA rating for the City's general obligation bonds. The city reaffirmed ratings of Aa1 from Moody's and AA+ with stable outlook from Standard and Poor's for its water and wastewater utilities system.

Additional information on the long-term debt can be found in Note (3) to the financial statements starting at page 66.

V. ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City of McKinney, Texas continues to be financially strong. Although the economy is the primary factor, the City's elected and appointed officials considered many factors when setting the fiscal year 2026 budget, tax rates and fees that will be charged for the business-type activities. The priority for fiscal year 2026 continues to be maintaining quality service while observing prudent spending practices.

Highlights of the 2026 budget include:

- Balanced budget, with total revenues equal to or greater than total expenditures
- Property tax rate reduced by three tenths of a cent to $0.412284 cents per $100 assessed value
- Total City budget $942 million
- General Fund budget $232 million
- Increased and sustained funding for equipment and facilities improvements
- Budget supplemental funding of $21.6 million ($5.9 million for additional staff and other recurring costs, $15.7 million for one-time costs) to accommodate citywide departmental needs and operating impacts from Capital Improvement Program
- Additional 58 full-time equivalent (FTE) positions (27 in the General Fund and 31 in other funds)

The property tax rate for fiscal year 2026 decreased from $0.415513 to $0.412284 per $100 assessed value.

Requests for Information

The financial report is designed to provide a general overview of the City of McKinney's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Chief Financial Officer, City of McKinney, 222 North Tennessee Street, McKinney, Texas 75069.

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Basic Financial Statements

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City of McKinney, Texas
Statement of Net Position
September 30, 2025

	Governmental Activities	Business-type Activities	Total	Component Units
ASSETS				
Cash and cash equivalents	$ 203,913,615	$ 28,782,789	$ 232,696,404	$ 116,041,505
Investments	147,532,591	70,644,755	218,177,346	19,638,100
Receivables (net of allowance for uncollectibles)	22,714,023	25,241,981	47,956,004	9,130,669
Notes receivable	-	-	-	787,526
Leases receivable	14,354,747	8,275,938	22,630,685	7,997,816
Internal balances	543,350	(543,350)	-	-
Due from other governments	1,705,458	120,752	1,826,210	-
Other assets	-	-	-	51
Inventory	361,713	1,212,270	1,573,983	-
Prepaid items	5,190,898	1,311,177	6,502,075	53,888
Restricted assets:				
Cash and cash equivalents	265,215,741	286,831,208	552,046,949	14,770,833
Investments	-	73,179,398	73,179,398	-
Accrued interest receivable	-	545,904	545,904	-
Capital assets:				
Non depreciable	243,144,500	140,866,194	384,010,694	118,155,378
Depreciable/amortizable (net)	908,207,657	756,978,724	1,665,186,381	21,069,864
Total assets	1,812,884,293	1,393,447,740	3,206,332,033	307,645,630
DEFERRED OUTFLOWS OF RESOURCES				
Deferred pension outflows	22,786,830	3,392,372	26,179,202	409,401
Deferred OPEB outflows	2,349,422	254,005	2,603,427	30,654
Deferred charge for refunding	799,709	105,470	905,179	35,939
Excess consideration provided for acquisition	-	2,391,166	2,391,166	-
Total deferred outflows of resources	25,935,961	6,143,013	32,078,974	475,994
LIABILITIES				
Accounts payable	24,605,707	14,616,554	39,222,261	8,759,907
Other accrued liabilities	20,592,756	5,647,074	26,239,830	70,308
Unearned revenue	1,710,353	20,133,727	21,844,080	5,590,951
Accrued interest payable	3,215,576	527,795	3,743,371	548,500
Deposits	2,004,117	6,573,606	8,577,723	10,010,000
Non-current liabilities:				
Due within one year:				
Compensated absences	1,486,189	158,867	1,645,056	20,723
Bonds payable	45,729,654	15,220,833	60,950,487	3,418,462
Subscription liability	1,358,663	-	1,358,663	-
Right-to-use lease liability	1,488,954	77,807	1,566,761	286,074
Due in more than one year:				
Arbitrage liability	5,471,154	6,768,468	12,239,622	-
Compensated absences	19,745,071	2,110,659	21,855,730	275,326
Bonds payable	487,302,237	289,534,929	776,837,166	117,831,649
Subscription liability	1,275,099	-	1,275,099	-
Right-to-use lease liability	3,242,518	172,428	3,414,946	2,387,086
Net pension liability	48,886,665	7,277,967	56,164,632	878,326
Total OPEB liability	14,177,109	1,756,745	15,933,854	212,009
Total liabilities	682,291,822	370,577,459	1,052,869,281	150,289,321
DEFERRED INFLOWS OF RESOURCES				
Deferred pension inflows	4,984,034	741,995	5,726,029	89,547
Deferred OPEB inflows	13,877,312	1,892,727	15,770,039	228,420
Deferred lease inflows	13,105,261	7,721,794	20,827,055	7,750,091
Deferred gain on refunding	1,959,972	210,868	2,170,840	-
Total deferred inflows of resources	33,926,579	10,567,384	44,493,963	8,068,058
NET POSITION				
Net investment in capital assets	814,236,366	738,418,750	1,552,655,116	22,764,505
Restricted for:				
Use of impact fees	11,404,567	4,388,921	15,793,488	-
Debt service	6,947,465	21,005,683	27,953,148	4,100,482
Capital projects	190,217,175	-	190,217,175	-
Public safety	1,211,868	-	1,211,868	-
Community development	43,200,813	-	43,200,813	-
Court	414,649	-	414,649	-
PEG	2,424,916	-	2,424,916	-
Grants and donations	492,026	-	492,026	-
Unrestricted	52,052,008	254,632,556	306,684,564	122,899,258
TOTAL NET POSITION	$ 1,122,601,853	$ 1,018,445,910	$ 2,141,047,763	$ 149,764,245

The Notes to the Financial Statements are an integral part of this statement.

City of McKinney, Texas
Statement of Activities
For The Year Ended September 30, 2025

Function/Program Activities	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
PRIMARY GOVERNMENT				
Governmental activities:				
General government	$ 66,921,433	$ 3,476,248	$ 2,305,687	$ 5,820,988
Police	57,623,385	220,484	1,812,244	-
Fire	54,851,670	10,007,592	73,422	-
Libraries	4,862,014	36,070	396	-
Development	16,929,450	13,831,960	748,330	-
Parks and recreation	32,661,933	7,754,464	553,708	5,816,804
Public works	73,118,507	1,814,043	-	82,359,814
Interest on long-term debt	20,561,679	-	-	-
Total governmental activities	327,530,071	37,140,861	5,493,787	93,997,606
Business-type activities:				
Water/wastewater	162,748,790	162,119,239	-	62,968,355
Solid waste	19,544,404	20,966,148	-	798,750
Golf course	115,607	135,641	-	69,917
Surface water drainage	5,097,614	5,681,399	-	-
Airport	17,150,784	13,528,181	45,102,880	19,625,680
Total business-type activities	204,657,199	202,430,608	45,102,880	83,462,702
TOTAL PRIMARY GOVERNMENT	$ 532,187,270	$ 239,571,469	$ 50,596,667	$ 177,460,308
COMPONENT UNITS				
Governmental activities:				
McKinney Economic Development Corp	$ 46,661,560	$ -	$ 651,172	$ -
McKinney Community Development Corp	47,038,484	-	-	28,930
McKinney Convention & Visitors Bureau	1,565,183	-	1,452,000	-
McKinney Main Street Corporation	1,674,335	1,311,888	320,320	-
	96,939,562	1,311,888	2,423,492	28,930
Business-type activities:				
McKinney Housing Finance Corporation	19,841	886,665	-	-
TOTAL COMPONENT UNITS	$ 96,959,403	$ 2,198,553	$ 2,423,492	$ 28,930
General revenues:				
Property taxes				
Sales taxes				
Franchise taxes				
Other taxes				
Investment income (loss)				
Gain on sale of assets				
Miscellaneous				
Transfers				
Total general revenues and transfers				
Change in net position				
Net position - beginning, as previously presented				
Change in accounting principle - GASB 101				
Net position - beginning, as restated				
NET POSITION - ENDING				

The Notes to the Financial Statements are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
$ (55,318,510)	$ -	$ (55,318,510)	$ -
(55,590,657)	-	(55,590,657)	-
(44,770,656)	-	(44,770,656)	-
(4,825,548)	-	(4,825,548)	-
(2,349,160)	-	(2,349,160)	-
(18,536,957)	-	(18,536,957)	-
11,055,350	-	11,055,350	-
(20,561,679)	-	(20,561,679)	-
(190,897,817)	-	(190,897,817)	-
-	62,338,804	62,338,804	-
-	2,220,494	2,220,494	-
-	89,951	89,951	-
-	583,785	583,785	-
-	61,105,957	61,105,957	-
-	126,338,991	126,338,991	-
(190,897,817)	126,338,991	(64,558,826)	-
$ -	$ -	$ -	$ (46,010,388)
-	-	-	(47,009,554)
-	-	-	(113,183)
-	-	-	(42,127)
-	-	-	(93,175,252)
-	-	-	866,824
$ -	$ -	$ -	$ (92,308,428)
$ 170,430,262	$ -	$ 170,430,262	$ -
53,517,756	-	53,517,756	49,234,908
21,880,954	-	21,880,954	-
161,719	-	161,719	-
27,901,092	20,052,780	47,953,872	5,622,317
-	377,131	377,131	-
7,150,175	326,953	7,477,128	416,303
5,110,048	(5,110,048)	-	-
286,152,006	15,646,816	301,798,822	55,273,528
95,254,189	141,985,807	237,239,996	(37,034,900)
1,027,875,406	876,535,717	1,904,411,123	186,860,722
(527,742)	(75,614)	(603,356)	(61,577)
1,027,347,664	876,460,103	1,903,807,767	186,799,145
$ 1,122,601,853	$ 1,018,445,910	$ 2,141,047,763	$ 149,764,245

City of McKinney, Texas
Balance Sheet
Governmental Funds
September 30, 2025

	General	Debt Service	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	$ 65,169,803	$ 10,145,207	$ 343,820,086	$ 45,552,291	$ 464,687,387
Investments	77,210,006	-	52,791,633	-	130,001,639
Receivables (net of allowance for uncollectibles):					
Ad valorem taxes	1,175,022	559,927	-	-	1,734,949
Accounts	3,338,472	-	-	101,436	3,439,908
Notes	1,156,052	-	-	1,500,000	2,656,052
Leases	14,354,747	-	-	-	14,354,747
Other taxes and fees	12,064,651	-	-	318,076	12,382,727
Accrued interest	665,607	-	495,960	-	1,161,567
Due from other funds	581,832	-	-	-	581,832
Due from other governments	139,506	-	912,926	653,026	1,705,458
Inventory	361,713	-	-	-	361,713
Prepaid items	5,139,941	-	-	21,819	5,161,760
Total assets	$ 181,357,352	$ 10,705,134	$ 398,020,605	$ 48,146,648	$ 638,229,739
LIABILITIES					
Accounts payable	$ 9,224,364	$ 542,093	$ 12,991,253	$ 273,860	$ 23,031,570
Other accrued liabilities	7,487,037	-	12,832,026	88,183	20,407,246
Deposits	2,004,117	-	-	-	2,004,117
Due to other funds	-	-	-	38,482	38,482
Unearned revenue	774,657	-	436,187	499,509	1,710,353
Total liabilities	19,490,175	542,093	26,259,466	900,034	47,191,768
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue	3,450,455	593,641	-	-	4,044,096
Leases	13,105,261	-	-	-	13,105,261
Total deferred inflows of resources	16,555,716	593,641	-	-	17,149,357
FUND BALANCES					
NONSPENDABLE:					
Inventory	361,713	-	-	-	361,713
Prepaid items	5,139,941	-	-	21,819	5,161,760
RESTRICTED:					
Debt service	-	9,569,400	-	-	9,569,400
Street construction	-	-	176,558,867	-	176,558,867
Capital projects	-	-	195,202,272	32,342,228	227,544,500
Law enforcement	83,009	-	-	1,294,915	1,377,924
Courts	414,649	-	-	-	414,649
Fire	-	-	-	59,677	59,677
PEG	-	-	-	2,424,916	2,424,916
Community housing	-	-	-	1,715,950	1,715,950
Hotel/Motel	-	-	-	9,120,816	9,120,816
Transit	-	-	-	107,282	107,282
Grants	-	-	-	159,011	159,011
ASSIGNED:					
Capital equipment replacement	24,432,389	-	-	-	24,432,389
Disaster relief	581,076	-	-	-	581,076
OPEB	15,570,470	-	-	-	15,570,470
Public & performing arts	672,034	-	-	-	672,034
UNASSIGNED	98,056,180	-	-	-	98,056,180
Total fund balances	145,311,461	9,569,400	371,761,139	47,246,614	573,888,614
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 181,357,352	$ 10,705,134	$ 398,020,605	$ 48,146,648	$ 638,229,739

The Notes to the Financial Statements are an integral part of this statement.

City of McKinney, Texas

Reconciliation of the Governmental Funds
Balance Sheet to the Statement of Net Position
September 30, 2025

Fund balances of governmental funds		$ 573,888,614
Amounts reported for governmental activities in the statement of net position are different because:		
Receivables not measurable and available within 60 days of year-end, and therefore are unavailable in the fund financial statements.		4,044,096
Capital assets (net of accumulated depreciation/amortization) used in governmental activities are not current financial resources and therefore are not reported as assets in the governmental funds. Capital assets are reported in the government-wide financial statements, net of accumulated depreciation/amortization. This does not include internal service capital assets of $477,886.		1,150,874,271
Deferred outflows of resources and deferred inflows of resources represent flows of resources which relate to future periods and, therefore, are not reported in the fund financial statements. Deferred outflows of resources and deferred inflows of resources at year-end consist of:		
Deferred pension outflows	$ 22,786,830	
Deferred OPEB outflows	2,349,422	
Deferred charge on refunding	799,709	
Deferred pension inflows	(4,984,034)	
Deferred OPEB inflows	(13,877,312)	
Deferred gain on refunding	(1,959,972)	5,114,643
Internal service funds are used by management to charge the cost of certain activities, including self-insurance, to appropriate functions in other funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.		21,967,737
Interest payable on long-term debt does not require current financial resources, therefore interest payable is not reported as a liability in the governmental funds balance sheet.		(3,215,576)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the fund financial statements. Long-term liabilities at year-end consist of: (this does not include internal service subscription liability of $91,381)		
General and certificates of obligation bonds	$ (498,825,000)	
Bond premiums	(34,206,891)	
Arbitrage liability	(5,471,154)	
Subscription liability	(2,542,381)	
Right-to-use lease liability	(4,731,472)	
Net pension liability	(48,886,665)	
Total OPEB liability	(14,177,109)	
Compensated absences	(21,231,260)	(630,071,932)
NET POSITION OF GOVERNMENTAL ACTIVITIES		$ 1,122,601,853

The Notes to the Financial Statements are an integral part of this statement.

City of McKinney, Texas

Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For The Year Ended September 30, 2025

	General	Debt Service	Capital Projects
REVENUES			
Property taxes	$ 109,557,576	$ 55,558,647	$ -
Sales and use taxes	45,420,026	-	-
Franchise fees	21,910,092	-	-
Other taxes and fees	-	-	-
Licenses and permits	14,699,077	-	-
Intergovernmental	1,516,786	-	7,370,115
Charges for services	22,178,331	-	-
Fines and forfeitures	1,700,632	-	-
Investment income (loss)	7,886,176	1,532,174	15,676,093
Contributions	572,018	-	16,551,838
Miscellaneous	7,149,684	-	-
Total revenues	232,590,398	57,090,821	39,598,046
EXPENDITURES			
Current:			
General government	49,941,532	-	2,570,806
Police	54,337,670	-	-
Fire	49,921,284	-	446,244
Libraries	4,115,222	-	-
Development	15,836,898	-	-
Parks and recreation	23,675,401	-	1,280,489
Public works	21,760,049	-	9,562,545
Debt Service:			
Principal retirement	3,328,132	38,025,000	-
Interest and fiscal charges	380,164	20,456,993	239,949
Capital Expenditures:			
General government	6,305,088	-	15,766,869
Police	2,969,028	-	-
Fire	2,530,275	-	28,170,713
Libraries	15,830	-	1,161,674
Development	377,623	-	-
Parks and recreation	984,920	-	22,355,364
Public works	2,710,615	-	18,572,510
Total expenditures	239,189,731	58,481,993	100,127,163
Excess (deficiency) of revenues over (under) expenditures	(6,599,333)	(1,391,172)	(60,529,117)
OTHER FINANCING SOURCES (USES)			
Other financing source-issuance of long-term debt	-	-	63,635,013
Other financing source-issuance of refunding debt	-	26,478,938	-
Deposit to bond refunding escrow account	-	(28,757,469)	-
Premium on issuance of debt	-	2,334,892	3,577,280
Proceeds from sale of property	435,429	-	-
Issuance of leases	2,375,686	-	-
Issuance of SBITAs	3,713,241	-	-
Transfers in	10,201,739	1,349,973	11,410,000
Transfers out	(4,380,000)	-	-
Total other financing sources (uses)	12,346,095	1,406,334	78,622,293
Net change in fund balances	5,746,762	15,162	18,093,176
Fund balances, beginning of year	139,564,699	9,554,238	353,667,963
FUND BALANCES, END OF YEAR	$ 145,311,461	$ 9,569,400	$ 371,761,139

The Notes to the Financial Statements are an integral part of this statement.

Nonmajor Governmental Funds	Total Governmental Funds
$ 5,425,503	$ 170,541,726
8,097,730	53,517,756
-	21,910,092
161,719	161,719
-	14,699,077
3,355,429	12,242,330
-	22,178,331
206,607	1,907,239
1,964,302	27,058,745
49,554	17,173,410
491	7,150,175
19,261,335	348,540,600
4,915,290	57,427,628
110,393	54,448,063
26,854	50,394,382
-	4,115,222
714,741	16,551,639
-	24,955,890
-	31,322,594
340,473	41,693,605
696,796	21,773,902
210,606	22,282,563
137,825	3,106,853
-	30,700,988
-	1,177,504
-	377,623
-	23,340,284
-	21,283,125
7,152,978	404,951,865
12,108,357	(56,411,265)
-	63,635,013
-	26,478,938
-	(28,757,469)
-	5,912,172
-	435,429
113,166	2,488,852
-	3,713,241
470,000	23,431,712
(13,941,664)	(18,321,664)
(13,358,498)	79,016,224
(1,250,141)	22,604,959
48,496,755	551,283,655
$ 47,246,614	$ 573,888,614

City of McKinney, Texas

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities
For the Year Ended September 30, 2025

Net change in fund balances- total governmental funds.		$ 22,604,959
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount of capital outlay recorded as capital assets in the current period.		97,293,576
Governmental funds do not recognize contributed capital assets. However, in the statement of activities the fair market value of those assets are recognized as revenue, then allocated over their estimated useful lives and reported as depreciation expense.		70,075,653
Depreciation and amortization expense on capital assets, right-to-use lease assets, and SBITA assets is reported in the statement of activities but does not require the use of current financial resources. Therefore, depreciation and amortization expense is not reported as expenditures in the governmental funds.		(62,479,794)
Current year principal payments of long-term liabilities are shown as expenditures in the fund financial statements, but shown as reductions in long-term liabilities in the government-wide financial statements as follows:		
General and certificates of obligation bonds	$ 38,310,000	
Subscription liability	1,311,445	
Right-to-use lease liability	1,945,022	41,566,467
The issuance of long-term debt, such as bonds and leases, are shown as "Other Sources" and "Other Uses" in the governmental funds, but are shown on the statement of net position as debt obligations with corresponding balances amortized over the life of the bonds. Issuance of long-term debt and recognition and amortization of these differences consist of the following:		
Issuance of long term-debt	$ (63,635,013)	
Issuance of refunding debt	(26,439,987)	
Deposit to bond refunding escrow agent	28,757,469	
Recognition of premium on debt issuance	(5,912,172)	
Amortization of refunding gain and loss	(174,816)	
Amortization of bond premium	3,944,539	(63,459,980)
Current year amortization of the deferred charge on bond refundings is not reflected in the fund financial statements, but is shown as a reduction of the deferred charge in the government-wide financial statements. This also includes current year additions and refundings.		634,808
Current year change in arbitrage liability is considered a long-term liability, and thus not recognized on the fund level financial statements.		(2,035,275)
Current year pension and OPEB expenditures are reported on the fiscal year basis on the governmental statement of revenues, expenditures and changes in fund balances and as actuarially determined in the government-wide statement of activities.		(1,931,283)
Current year change in long-term liability for compensated absences does not require the use of current financial resources; therefore, are not reported as expenditures in governmental funds.		(1,796,954)
Current year changes in accrued interest payable do not require the use of current financial resources; therefore, are not reported as expenditures in governmental funds.		(629,291)
Internal service funds are used by management to share the costs of certain activities including self-insurance to individual funds.		(1,480,556)
In the governmental fund financial statements, the proceeds from the sale of assets are shown as an increase in financial resources. In the government-wide financial statements, the gain or loss is calculated and reported.		(1,823,423)
Certain revenues in the government-wide statement of activities that do not provide current financial resources are not reported as revenue in the governmental funds. This is the net change in these revenues for the year.		(1,284,718)
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES		$ 95,254,189

The Notes to the Financial Statements are an integral part of this statement.

City of McKinney, Texas

Statement of Revenues, Expenditures and Changes
in Fund Balances- Budget (GAAP Basis) and Actual-General Fund
For the Year Ended September 30, 2025

	Budgeted Amounts			
	Original	Final	Actual Amount	Variance with Final Budget - Positive (Negative)
REVENUES				
Property taxes	$ 111,852,009	$ 111,427,009	$ 109,557,576	$ (1,869,433)
Sales and use taxes	45,390,096	45,470,096	45,420,026	(50,070)
Franchise fees	20,365,602	21,672,959	21,910,092	237,133
Licenses and permits	16,503,745	14,585,995	14,699,077	113,082
Intergovernmental	1,812,281	1,537,077	1,516,786	(20,291)
Charges for services	17,977,628	20,902,911	22,178,331	1,275,420
Fines and forfeitures	1,804,300	1,811,750	1,700,632	(111,118)
Investment income	6,143,000	6,430,250	7,886,176	1,455,926
Contributions	567,100	580,050	572,018	(8,032)
Miscellaneous	824,411	6,773,320	7,149,684	376,364
Total revenues	223,240,172	231,191,417	232,590,398	1,398,981
EXPENDITURES				
General government	55,272,055	61,599,341	59,954,916	1,644,425
Police	57,591,174	58,080,577	57,306,698	773,879
Fire	51,326,806	55,336,580	52,451,559	2,885,021
Libraries	4,488,002	4,355,230	4,131,052	224,178
Development	16,696,493	16,408,688	16,214,521	194,167
Parks and recreation	24,372,188	25,601,104	24,660,321	940,783
Public works	23,241,511	27,803,829	24,470,664	3,333,165
Total expenditures	232,988,229	249,185,349	239,189,731	9,995,618
Excess (deficiency) of revenues over (under) expenditures	(9,748,057)	(17,993,932)	(6,599,333)	11,394,599
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of property	455,000	455,000	435,429	(19,571)
Issuance of leases	-	-	2,375,686	2,375,686
Issuance of SBITAs	-	-	3,713,241	3,713,241
Transfers in	6,901,739	10,201,739	10,201,739	-
Transfers out	(390,000)	(4,490,000)	(4,380,000)	110,000
Total other financing sources (uses)	6,966,739	6,166,739	12,346,095	6,179,356
Net change in fund balances	(2,781,318)	(11,827,193)	5,746,762	17,573,955
Fund balances, beginning of year	139,564,699	139,564,699	139,564,699	-
Fund balances, end of year	$ 136,783,381	$ 127,737,506	$ 145,311,461	$ 17,573,955

The Notes to the Financial Statements are an integral part of this statement.

City of McKinney, Texas
Statement of Net Position
Proprietary Funds
September 30, 2025

	Business-type Activities - Enterprise Funds				Governmental Activities
	Water and Wastewater	Airport	Nonmajor Enterprise Funds	Total	Internal Service Fund
ASSETS					
Current assets:					
Cash and cash equivalents	$ 8,760,683	$ 5,501,250	$ 14,520,856	$ 28,782,789	$ 4,083,669
Investments	70,644,755	-	-	70,644,755	17,530,952
Restricted assets:					
Cash and cash equivalents	225,072,163	61,749,045	10,000	286,831,208	358,300
Receivables (net of allowance for uncollectibles)	21,495,889	290,165	3,015,019	24,801,073	1,198,162
Accrued interest receivable	440,908	-	-	440,908	140,658
Due from other funds	17,229	-	-	17,229	-
Notes receivable- interfund	-	-	2,303,610	2,303,610	-
Leases receivable	-	8,275,938	-	8,275,938	-
Due from other governments	-	120,752	-	120,752	-
Inventory	1,051,782	160,488	-	1,212,270	-
Prepaid items	45,419	1,231,620	34,138	1,311,177	29,138
Total current assets	327,528,828	77,329,258	19,883,623	424,741,709	23,340,879
Noncurrent assets:					
Restricted assets:					
Investments	51,041,758	22,137,640	-	73,179,398	-
Accrued interest receivable	89,312	456,592	-	545,904	-
Total restricted assets	51,131,070	22,594,232	-	73,725,302	-
Capital assets:					
Land	13,278,340	40,052,693	566,509	53,897,542	-
Buildings	10,893,118	82,364,015	1,866,325	95,123,458	-
Improvements other than buildings	798,153,438	86,265,944	3,823,843	888,243,225	-
Machinery and equipment	32,566,257	3,004,872	11,921,710	47,492,839	-
Right-to-use lease asset	-	532,173	-	532,173	-
SBITAs	-	-	-	-	134,453
Construction in progress	46,398,705	40,569,947	-	86,968,652	388,251
Less accumulated depreciation/amortization	(203,844,849)	(63,447,957)	(7,120,165)	(274,412,971)	(44,818)
Total capital assets (net of accumulated depreciation)	697,445,009	189,341,687	11,058,222	897,844,918	477,886
Total noncurrent assets	748,576,079	211,935,919	11,058,222	971,570,220	477,886
TOTAL ASSETS	1,076,104,907	289,265,177	30,941,845	1,396,311,929	23,818,765
DEFERRED OUTFLOWS OF RESOURCES					
Deferred pension outflows	2,226,143	460,663	705,566	3,392,372	-
Deferred OPEB outflows	166,685	34,491	52,829	254,005	-
Deferred charge for refunding	105,470	-	-	105,470	-
Excess consideration provided for acquisition	-	2,391,166	-	2,391,166	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	2,498,298	2,886,320	758,395	6,143,013	-

(continued)

The Notes to the Financial Statements are an integral part of this statement.

City of McKinney, Texas
Statement of Net Position - Continued
Proprietary Funds
September 30, 2025

	Business-type Activities - Enterprise Funds				Governmental Activities
	Water and Wastewater	Airport	Nonmajor Enterprise Funds	Total	Internal Service Fund
LIABILITIES					
Current liabilities:					
Accounts payable	$ 1,457,264	$ 271,035	$ 1,004,052	$ 2,732,351	$ 1,574,137
Other accrued liabilities	614,212	76,818	300,440	991,470	185,510
Due to other funds	519,986	-	40,593	560,579	-
Note payable- interfund	-	620,165	58,028	678,193	-
Compensated absences	105,437	21,812	31,618	158,867	-
Accrued interest payable	527,795	-	-	527,795	-
Right-to-use lease liability	-	77,807	-	77,807	-
Subscription liability	-	-	-	-	44,795
Total current liabilities unrestricted	3,224,694	1,067,637	1,434,731	5,727,062	1,804,442
Liabilities (payable from restricted assets):					
Accounts payable	5,890,480	5,993,723	-	11,884,203	-
Revenue bonds payable	15,220,833	-	-	15,220,833	-
Unearned revenue	-	20,133,727	-	20,133,727	-
Other accrued liabilities	3,342,012	1,313,592	-	4,655,604	-
Deposits	6,301,779	261,827	10,000	6,573,606	-
Total current liabilities (payable from restricted assets)	30,755,104	27,702,869	10,000	58,467,973	-
Total current liabilities	33,979,798	28,770,506	1,444,731	64,195,035	1,804,442
Noncurrent liabilities:					
Compensated absences	1,400,810	289,789	420,060	2,110,659	-
Note payable- interfund	-	1,382,201	243,216	1,625,417	-
Right-to-use lease liability	-	172,428	-	172,428	-
Subscription liability	-	-	-	-	46,586
Arbitrage liability	6,768,468	-	-	6,768,468	-
Revenue bonds, certificates of obligation payable	289,534,929	-	-	289,534,929	-
Net pension liability	4,775,949	988,302	1,513,716	7,277,967	-
Total OPEB liability	1,152,811	238,555	365,379	1,756,745	-
Total noncurrent liabilities	303,632,967	3,071,275	2,542,371	309,246,613	46,586
TOTAL LIABILITIES	337,612,765	31,841,781	3,987,102	373,441,648	1,851,028
DEFERRED INFLOWS OF RESOURCES					
Deferred pension inflows	486,912	100,758	154,325	741,995	-
Deferred OPEB inflows	1,242,047	257,020	393,660	1,892,727	-
Deferred leases inflows	-	7,721,794	-	7,721,794	-
Deferred gain on refunding	210,868	-	-	210,868	-
TOTAL DEFERRED INFLOWS OF RESOURCES	1,939,827	8,079,572	547,985	10,567,384	-
NET POSITION					
Net investment in capital assets	545,576,391	181,784,137	11,058,222	738,418,750	477,886
Restricted for:					
Use of impact fees	4,388,921	-	-	4,388,921	-
Debt service	21,005,683	-	-	21,005,683	-
Unrestricted	168,079,618	70,446,007	16,106,931	254,632,556	21,489,851
TOTAL NET POSITION	$ 739,050,613	$ 252,230,144	$ 27,165,153	$ 1,018,445,910	$ 21,967,737

The Notes to the Financial Statements are an integral part of this statement.

City of McKinney, Texas

Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended September 30, 2025

	Business-type Activities - Enterprise Funds				Governmental Activities
	Water and Wastewater	Airport	Nonmajor Enterprise Funds	Total	Internal Service Fund
OPERATING REVENUES					
Charges for services	$ 162,119,239	$ 13,528,181	$ 26,783,188	$ 202,430,608	$ 34,007,215
Intergovernmental	-	45,102,880	-	45,102,880	-
Miscellaneous	120,166	-	206,787	326,953	1,329,768
Total operating revenues	162,239,405	58,631,061	26,989,975	247,860,441	35,336,983
OPERATING EXPENSES					
Personnel services	16,951,439	3,414,471	5,262,753	25,628,663	-
Materials, supplies and services	687,887	5,221,212	231,723	6,140,822	27,986,953
Maintenance	4,087,749	447,051	608,174	5,142,974	-
Purchase of water	87,208,511	-	-	87,208,511	-
Contract payments	9,552,391	466,760	17,069,336	27,088,487	7,804,882
Utilities	1,024,344	304,815	232	1,329,391	-
Depreciation and amortization	17,718,916	6,231,666	1,336,519	25,287,101	44,818
Other	12,947,104	1,015,698	248,888	14,211,690	-
Total operating expenses	150,178,341	17,101,673	24,757,625	192,037,639	35,836,653
Operating income	12,061,064	41,529,388	2,232,350	55,822,802	(499,670)
NON-OPERATING REVENUES (EXPENSES)					
Investment income (loss)	17,632,430	1,922,516	497,834	20,052,780	847,725
Interest and fiscal charges	(12,570,449)	(49,111)	-	(12,619,560)	(5,378)
Gain (loss) from disposal of assets	175,900	12,118	189,113	377,131	(1,823,233)
Total non-operating revenues	5,237,881	1,885,523	686,947	7,810,351	(980,886)
Income before contributions and transfers	17,298,945	43,414,911	2,919,297	63,633,153	(1,480,556)
Contributions	62,968,355	19,625,680	868,667	83,462,702	-
Transfers in	1,225,000	13,000,000	201,228	14,426,228	-
Transfers out	(17,180,115)	(1,349,973)	(1,006,188)	(19,536,276)	-
Change in net position	64,312,185	74,690,618	2,983,004	141,985,807	(1,480,556)
Net position - beginning, as previously presented	674,791,299	177,539,485	24,204,933	876,535,717	23,448,293
Change in accounting principle - GASB 101	(52,871)	41	(22,784)	(75,614)	-
Net position - beginning, as restated	674,738,428	177,539,526	24,182,149	876,460,103	23,448,293
TOTAL NET POSITION - ending	$ 739,050,613	$ 252,230,144	$ 27,165,153	$ 1,018,445,910	$ 21,967,737

The Notes to the Financial Statements are an integral part of this statement.

City of McKinney, Texas
Statement of Cash Flows
Proprietary Funds
For the Year Ended September 30, 2025

	Business-type Activities - Enterprise Funds				Governmental Activities
	Water and Wastewater	Airport	Nonmajor Enterprise Funds	Total	Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from customers	$ 164,667,758	$ 58,701,013	$ 26,140,637	$ 249,509,408	$ 33,517,886
Other operating revenues	120,166	-	206,787	326,953	1,329,768
Cash payments to employees for services	(16,034,329)	(3,339,974)	(5,047,959)	(24,422,262)	-
Cash payments to suppliers for goods and services	(115,791,202)	(4,332,401)	(19,091,046)	(139,214,649)	(35,906,780)
Net cash provided by (used in) operating activities	32,962,393	51,028,638	2,208,419	86,199,450	(1,059,126)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES					
Transfers from other funds	1,225,000	13,000,000	201,228	14,426,228	-
Cash received from other funds	-	-	569,558	569,558	-
Transfers to other funds	(17,180,115)	(1,349,973)	(1,006,188)	(19,536,276)	(1,823,233)
Net cash provided by (used in) non-capital financing activities	(15,955,115)	11,650,027	(235,402)	(4,540,490)	(1,823,233)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Principal paid on bonds	(14,450,000)	-	-	(14,450,000)	-
Bond proceeds	28,390,845	-	-	28,390,845	-
Principal paid on interfund loans	-	(512,528)	(57,030)	(569,558)	-
Interest and fiscal charges on debt	(15,591,028)	(49,111)	-	(15,640,139)	(5,378)
Acquisition and construction of capital assets	(19,784,930)	(27,663,964)	287,888	(47,161,006)	(386,505)
Proceeds from sale of assets	-	-	189,113	189,113	-
Capital grants used	-	(12,764,919)	-	(12,764,919)	-
Net cash provided by (used in) capital and related financing activities	(21,435,113)	(40,990,522)	419,971	(62,005,664)	(391,883)
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of investment securities	8,888,805	-	-	8,888,805	(10,255,163)
Proceeds from sale and maturities of securities	175,900	10,099,640	-	10,275,540	-
Investment earnings (loss)	17,632,430	1,922,516	497,834	20,052,780	847,725
Net cash provided by investing activities	26,697,135	12,022,156	497,834	39,217,125	(9,407,438)
Net increase (decrease) in cash	22,269,300	33,710,299	2,890,822	58,870,421	(12,681,680)
Cash and cash equivalents at beginning of year	211,563,546	33,539,996	11,640,034	256,743,576	17,123,649
Cash and cash equivalents at end of year	$ 233,832,846	$ 67,250,295	$ 14,530,856	$ 315,613,997	$ 4,441,969
RECONCILIATION OF TOTAL CASH TO THE STATEMENT OF NET POSITION					
Unrestricted cash and cash equivalents	$ 8,760,683	$ 5,501,250	$ 14,520,856	$ 28,782,789	$ 4,083,669
Restricted cash and cash equivalents	225,072,163	61,749,045	10,000	286,831,208	358,300
	$ 233,832,846	$ 67,250,295	$ 14,530,856	$ 315,613,997	$ 4,441,969
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:					
Operating income (loss)	$ 12,061,064	$ 41,529,388	$ 2,232,350	$ 55,822,802	$ (499,670)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation and amortization	17,718,916	6,624,735	1,336,519	25,680,170	-
Change in assets and liabilities:					
(Increase) decrease in assets:					
Accounts receivable	1,652,896	85,664	(703,657)	1,034,903	(392,128)
Accrued interest receivable	935,578	196,919	61,106	1,193,603	(97,201)
Due from other funds	(1,400)	-	-	(1,400)	-
Due from other govts	-	(120,752)	-	(120,752)	
Inventory	(38,555)	(21,829)	-	(60,384)	-
Prepaid items	(1,959)	468,570	(34,138)	432,473	(29,138)
Leases receivable and deferred inflows from leases	-	(70,050)	-	(70,050)	-
Increase (decrease) in liabilities:					
Accounts payable	(1,116,953)	1,555,029	(544,264)	(106,188)	(76,549)
Accrued liabilities	(909,626)	702,154	(357,847)	(565,319)	35,560
Due to other funds	42,280	-	3,556	45,836	-
Compensated absences	158,908	29,330	(38,042)	150,196	-
Deposits	441,741	4,313	-	446,054	-
Arbitrage liability	1,261,301	-	-	1,261,301	
Net pension liability and OPEB obligation	758,202	45,167	252,836	1,056,205	-
Total adjustments	20,901,329	9,499,250	(23,931)	30,376,648	(559,456)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	$ 32,962,393	$ 51,028,638	$ 2,208,419	$ 86,199,450	$ (1,059,126)
NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES					
Contributions of capital assets	$ 62,968,355	$ 19,625,680	$ 868,667	$ 83,462,702	$ -
Transfer of capital assets	-	-	-	-	(1,823,233)
Retainage payable	2,871,655	1,313,592	-	4,185,247	-
Capital-related accounts payable	5,890,480	5,993,723	-	11,884,203	-

The Notes to the Financial Statements are an integral part of this statement.

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City of McKinney, Texas
Statement of Net Position
Discretely Presented Component Units
September 30, 2025

	Governmental Activities				Business-Type Activities	
	McKinney Economic Dev. Corporation	McKinney Community Dev. Corporation	McKinney Convention & Visitors Bureau	McKinney Main Street Corporation	McKinney Housing Finance Corporation	Total
ASSETS						
Cash and cash equivalents	$ 39,619,052	$ 72,242,972	$ 104,437	$ 571,600	$ 3,503,444	$ 116,041,505
Investments	-	19,638,100	-	-	-	19,638,100
Receivables (net of allowance for uncollectibles)	4,531,661	4,221,589	-	220,922	156,497	9,130,669
Notes receivable	-	767,526	-	-	20,000	787,526
Leases receivable	489,585	7,508,231	-	-	-	7,997,816
Prepaid items	31,566	10,522	3,800	8,000	-	53,888
Other assets	-	-	-	-	51	51
Restricted assets:						
Cash and cash equivalents	14,768,333	2,500	-	-	-	14,770,833
Capital assets:						
Non depreciable	106,374,821	6,308,919	-	-	5,471,638	118,155,378
Depreciable (net)	1,787,469	18,757,115	429,917	95,363	-	21,069,864
Total assets	167,602,487	129,457,474	538,154	895,885	9,151,630	307,645,630
DEFERRED OUTFLOWS OF RESOURCES						
Deferred pension outflows	230,046	67,465	111,890	-	-	409,401
Deferred OPEB outflows	17,224	5,053	8,377	-	-	30,654
Deferred charge for refunding	35,939	-	-	-	-	35,939
Total deferred outflows of resources	283,209	72,518	120,267	-	-	475,994
LIABILITIES						
Accounts payable	3,780,656	4,631,940	35,535	279,611	32,165	8,759,907
Other accrued liabilities	41,519	11,060	17,729	-	-	70,308
Unearned revenue	305,131	-	-	38,500	5,247,320	5,590,951
Accrued interest payable	320,268	228,232	-	-	-	548,500
Deposits	10,007,500	2,500	-	-	-	10,010,000
Non-current liabilities:						
Due within one year:						
Compensated absences	11,151	4,766	4,806	-	-	20,723
Bonds payable	2,238,462	1,180,000	-	-	-	3,418,462
Right-to-use lease liability	177,453	59,151	49,470	-	-	286,074
Due in more than one year:						
Compensated absences	148,154	63,326	63,846	-	-	275,326
Bonds payable	74,891,649	42,940,000	-	-	-	117,831,649
Right-to-use lease liability	1,499,228	499,743	388,115	-	-	2,387,086
Net pension liability	493,537	144,740	240,049	-	-	878,326
Total OPEB liability	119,129	34,937	57,943	-	-	212,009
Total liabilities	94,033,837	49,800,395	857,493	318,111	5,279,485	150,289,321
DEFERRED INFLOWS OF RESOURCES						
Deferred pension inflows	50,317	14,757	24,473	-	-	89,547
Deferred OPEB inflows	128,351	37,642	62,427	-	-	228,420
Deferred lease inflows	454,243	7,295,848	-		-	7,750,091
Total deferred inflows of resources	632,911	7,348,247	86,900	-	-	8,068,058
NET POSITION						
Net investment in capital assets	36,818,032	(19,612,860)	(7,668)	95,363	5,471,638	22,764,505
Restricted for:						
Debt service	4,100,482	-	-	-	-	4,100,482
Unrestricted	32,300,434	91,994,210	(278,304)	482,411	(1,599,493)	122,899,258
TOTAL NET POSITION (DEFICIT)	$ 73,218,948	$ 72,381,350	$ (285,972)	$ 577,774	$ 3,872,145	$ 149,764,245

The Notes to the Financial Statements are an integral part of this statement.

City of McKinney, Texas

Statement of Revenues, Expenses, and Changes in Fund Net Position
Discretely Presented Component Units
For the Year Ended September 30, 2025

		Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
GOVERNMENTAL ACTIVITIES				
McKinney Economic Dev. Corporation	$ 46,661,560	$ -	$ 651,172	$ -
McKinney Community Dev. Corporation	47,038,484	-	-	28,930
McKinney Convention & Visitors Bureau	1,565,183	-	1,452,000	-
McKinney Main Street Corporation	1,674,335	1,311,888	320,320	-
Total governmental activities	96,939,562	1,311,888	2,423,492	28,930
BUSINESS-TYPE ACTIVITIES				
McKinney Housing Finance Corporation	19,841	886,665	-	-
Total business-type activities	19,841	886,665	-	-
TOTAL COMPONENT UNITS	$ 96,959,403	$ 2,198,553	$ 2,423,492	$ 28,930

General revenues:	
Sales taxes	
Investment income	
Miscellaneous	
Total general revenues	
Change in net position	
Net position - beginning, as previously presented	
Change in accounting principle - GASB 101	
Net position - beginning, as restated	
NET POSITION - ENDING	

The Notes to the Financial Statements are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Position						
Component Units						
McKinney Economic Dev. Corporation	McKinney Community Dev. Corporation	McKinney Convention & Visitors Bureau	McKinney Main Street Corporation	McKinney Housing Finance Corporation	Total
$ (46,010,388)	$ -	$ -	$ -	$ -	$ (46,010,388)
-	(47,009,554)	-	-	-	(47,009,554)
-	-	(113,183)	-	-	(113,183)
-	-	-	(42,127)	-	(42,127)
(46,010,388)	(47,009,554)	(113,183)	(42,127)	-	(93,175,252)
-	-	-	-	866,824	866,824
-	-	-	-	866,824	866,824
$ (46,010,388)	$ (47,009,554)	$ (113,183)	$ (42,127)	$ 866,824	$ (92,308,428)
$ 24,617,454	$ 24,617,454	$ -	$ -	$ -	$ 49,234,908
1,793,889	3,727,530	2,197	87	98,614	5,622,317
-	370,018	46,285	-	-	416,303
26,411,343	28,715,002	48,482	87	98,614	55,273,528
(19,599,045)	(18,294,552)	(64,701)	(42,040)	965,438	(37,034,900)
92,857,687	90,671,962	(195,448)	619,814	2,906,707	186,860,722
(39,694)	3,940	(25,823)	-	-	(61,577)
92,817,993	90,675,902	(221,271)	619,814	2,906,707	186,799,145
$ 73,218,948	$ 72,381,350	$ (285,972)	$ 577,774	$ 3,872,145	$ 149,764,245

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Note 1. Summary of Significant Accounting Policies

The City of McKinney (the City) was incorporated in 1848. The City operates under a Council-Manager form of government and provides the following services as authorized by its charter: public safety, public works, public health and welfare, culture, recreation and waterworks.

The City reports in accordance with accounting principles generally accepted in the United States of America (GAAP) as established by the Governmental Accounting Standards Board (GASB) and the Financial Accounting Standards Board (FASB). The accounting and reporting framework and the more significant accounting principles and practices are discussed in subsequent sections of this Note. The remainder of the notes are organized to provide concise explanation, including required disclosures of budgetary matters, assets, liabilities, fund equity, revenues, expenditures/expenses, and other information considered important to gaining a clear picture of the City's financial activities for the fiscal year ended September 30, 2025.

Financial Statement Presentation

The basic financial statements are prepared in conformity with GASB Statement No. 34 which requires the government-wide financial statements to be prepared using the accrual basis of accounting and the economic resources measurement focus. Government-wide financial statements do not provide information by fund, but distinguish between the City's governmental activities, business-type activities and activities of its discretely presented component units on the statement of net position and statement of activities. Significantly, the City's statement of net position includes both noncurrent assets and noncurrent liabilities of the City. In addition, the government-wide statement of activities reflects depreciation expenses on the City's capital assets, including infrastructure.

In addition to the government-wide financial statements, the City has prepared fund financial statements, which use the modified accrual basis of accounting and the current financial resources measurement focus for the governmental funds. The accrual basis of accounting is utilized by proprietary funds. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

The City also presents Management's Discussion and Analysis which includes an analytical overview of the City's financial activities. In addition, budgetary comparison statements are presented that compare the original adopted and final amended budgets with actual results for adopted funds.

Financial Reporting Entity

The City's basic financial statements include the accounts of all City operations. In evaluating how to define the government for financial reporting purposes, management has considered all entities for which the City is considered to be financially accountable. The City is governed by an elected mayor and six-member council. As required by GAAP, these financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities, are in substance, part of the City's operations; therefore, data from these units are combined with data of the City. Discretely presented component units are legally separate entities that are not considered part of the City's operations; therefore, data from these component units are shown separately from the data of the City.

Blended Component Units
The McKinney Urban Transit District (MUTD) is a blended component unit presented as a nonmajor special revenue fund of the City. The governing body of the MUTD consists of the seven City of McKinney councilmembers and one representative from each of the district members including the Collin County Commissioners' Court, the City of Celina, the City of Lowry Crossing, the City of Melissa, the City of Princeton and the Town of Prosper. The MUTD budget is subject to approval of the City of McKinney Council. The MUTD budget is financed primarily by state/federal grants and member contributions and has a September 30 year-end. The purpose of the MUTD is to provide transportation to residents of McKinney, Melissa, Princeton, Lowry Crossing, Celina and Prosper who are 65 years of age or older or are disabled. MUTD services almost exclusively benefit the primary government even though it does not provide services directly to the City.

Discretely Presented Component Units
The McKinney Economic Development Corporation (MEDC) is a discretely presented component unit in the basic financial statements. The governing body of the MEDC is appointed by the City Council and the MEDC's operating budget is subject to approval of the City Council. The City does not have a voting majority of the corporation. The purpose of the MEDC is to aid, promote and further the economic development within the City. The MEDC is financed with a voter-approved half-cent city sales tax. The MEDC has a September 30 year-end. Under a contract with the MEDC, the City performs financial services for the MEDC. There are no separately issued financial statements of the MEDC, which is reported as a governmental fund.

The McKinney Community Development Corporation (MCDC) is a discretely presented component unit in the basic financial statements. The MCDC is governed by a seven-member board appointed by the City Council and at least three board members cannot be City employees or Council members. The City does not have a voting majority of the corporation. The purpose of the MCDC is to identify and fund public projects to maintain or enhance the quality of life reflecting hometown values and priorities, visionary planning, balanced needs, and fiscal responsibility for current and future residents, visitors and businesses of our community. The MCDC is financed with a voter-approved half-cent city sales tax. The MCDC has a September 30 year-end. Under a contract with the MCDC, the City performs financial services for the MCDC. There are no separately issued financial statements of the MCDC, which is reported as a governmental fund.

The McKinney Main Street (MMS) is a discretely presented component unit in the basic financial statements. The governing body of MMS is appointed by the City Council and the MMS's budget is subject to approval of the City Council. MMS budget is financed primarily by events held in the Downtown McKinney area. MMS is a separate legal entity from the City and its sole purpose is to promote McKinney's vibrant downtown area. MMS has a September 30 year-end. MMS financial services are decentralized from the City. There are no separately issued financial statements of MMS.

The McKinney Convention & Visitors Bureau (MCVB) is a discretely presented component unit in the basic financial statements. The governing body of the MCVB is appointed by the City Council and the MCVB's budget is subject to approval of the City Council. The MCVB budget is financed primarily by hotel/motel occupancy taxes. The MCVB is a separate legal entity from the City and its sole purpose is to promote McKinney as the destination of choice. The MCVB has a September 30 year-end. Under a contract with the MCVB, the City performs financial services for the MCVB. There are no separately issued financial statements of the MCVB.

The McKinney Housing Finance Corporation (MHFC) is a discretely presented component unit in the basic financial statements. The governing body of the MHFC is appointed by the City Council and the MHFC's budget is subject to approval of the City Council. The MHFC finances the cost of residential ownership and development on behalf of the City to provide decent, safe and sanitary housing for City residents at affordable prices. MHFC budget is financed primarily by developer fees and has a September 30 year-end. Complete separate September 30, 2025 financial statements for MHFC may be obtained from the City.

All discretely presented component units were deemed to be major component units for presentation purposes.

Government-Wide and Fund Financial Statements

The basic financial statements include both government-wide (based on the City as a whole) and fund financial statements. The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely on fees and charges for support. Additionally, the primary government is reported separately from the legally separate component units for which the primary government is financially accountable.

The government-wide statement of activities demonstrates the degree to which the direct expenses of a functional category (Police, Fire, Public Works, etc.) or program are offset by program revenues. Direct expenses are those that are clearly identifiable with specific function or program. Program revenues include: a) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or program, b) grants and contributions that are restricted to meeting the operational requirements of a particular function or program, or c) grants and contributions that are restricted to meeting the capital requirements of a particular function or program. Taxes and other items not properly included among program revenues are reported instead as general revenues. Internally dedicated resources are also reported as general revenues rather than as program revenues.

Separate fund financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund's financial statements. The major governmental funds are the general fund, debt service fund, and capital projects fund. GASB Statement No. 34 sets forth minimum criteria (percentage of assets (including deferred outflows of resources), liabilities (including deferred inflows of resources), revenues or expenditures/expenses of either fund category for the governmental and enterprise combined) for the determination of major funds. The nonmajor funds are combined in a column in the fund financial statements. The nonmajor funds are detailed in the combining section of the statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to the general rule are franchise fees and other charges between the government's water and wastewater function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water and wastewater enterprise fund, airport fund, and other proprietary funds are charges to customers for sales and services. The water and wastewater fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and service, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting the definition are reported as nonoperating revenues and expenses.

Internal service funds are used to allocate associated costs of centralized services on a cost-reimbursement basis. The services provided to other City departments include providing risk financing and insurance-related activities.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The government-wide and proprietary fund financial statements follow the accounting set forth by the Governmental Accounting Standards Board.

Governmental fund level financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. The governmental fund financial statements follow the accounting set forth by the Governmental Accounting Standards Board.

Property taxes, franchise fees, sales taxes, charges for services and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Fund Accounting

The following major funds are used by the City:

1. **Governmental Funds:**

   Governmental Funds are those through which most governmental functions of the City are financed. The acquisition, use and balances of the City's expendable financial resources and the related liabilities (except those accounted for in proprietary funds) are accounted for through governmental funds. The measurement focus is upon determination of changes in financial position, rather than upon net income determination. The following is a description of the major Governmental Funds of the City:

   a. **The General Fund** is the operating fund of the City. This fund is used to account for all financial resources not accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General Fund.

   b. **The Debt Service Fund** is used to account for the accumulation of financial resources for the payment of principal, interest and related costs on general long-term debt paid from taxes levied by the City.

   c. **The Capital Projects Fund** consists of various types of financial resources and is utilized in the acquiring or constructing of capital infrastructure within the City. These include facilities, streets, stormwater drainage, libraries, public safety, parks, recreation and technology.

   Other Governmental Funds is a summarization of all of the nonmajor governmental funds.

2. **Proprietary Funds:**

   Proprietary Funds are accounted for using an economic resources measurement focus. The accounting objectives are a determination of net income, financial position, and changes in cash flows. All assets and liabilities associated with a proprietary fund's activities are included on its statement of net position.

   The proprietary funds are financed and operated in a manner similar to private business enterprise. The costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis are financed or recovered primarily through user charges. Periodic determination of revenues earned, expenses incurred, or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

   a. **The Water and Wastewater Fund** is used to account for the operations of the water and wastewater system.

   b. **The Airport Fund** is used to account for the operations of the airport.

   Other Proprietary Funds is a summarization of all of the nonmajor proprietary funds.

The Insurance and Risk Management Fund is an internal service fund used to account for the financing of services provided by one department to other departments of the City on a cost reimbursement basis. The insurance claims self-funded program of the City is accounted for in this fund. Accrued liabilities include provisions for claims reported and claims incurred but not reported. The provision for reported claims is determined by estimating the amount which will ultimately be paid to each claimant. The provision for claims incurred but not yet reported is estimated based on City experience since the inception of the programs and data provided by actuarial consultants.

Cash, Cash Equivalents, and Investments

Cash of all funds, excluding the City's payroll clearing account, airport and hotel/motel accounts, EMS account, flexible spending account and certain escrow accounts, is pooled into a common interest earning bank account in order to maximize investment opportunities. Each fund whose monies are deposited in the pooled cash has equity therein, and interest earned on these monies is allocated based upon relative equity at each month end.

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

The City may invest in certificates of deposit, authorized investment pools and funds, U.S. Government Securities, commercial paper, and repurchase agreements. Investments are recorded at amortized cost, and at fiscal year-end investments with original maturity greater than one year are reflected at fair value on the accompanying government-wide and fund financial statements.

Realized gains and losses on investments that have been held during more than one fiscal year, and sold in the current year, were included as a change in the fair value of the investments reported in the prior year and the current year. Management's intent is to hold all investments to maturity.

In accordance with GASB Statement No. 31, the City's general policy is to report short-term treasury securities, U.S. government backed securities which have a remaining term of one year or less at time of purchase, and money market mutual funds at amortized costs.

Inventories and Prepaid Items

Inventory is valued at cost (first-in, first-out). The cost of governmental fund type inventory is recorded as an expenditure when consumed rather than when purchased. Reported inventories are also classified as non-spendable fund balance, which indicates that they do not constitute "available, spendable resources" even though they are a component of fund balance. The City is not required to maintain a minimum level of inventory. Inventories in the Proprietary Funds consist of supplies and fuel and are recorded at the lower of cost or market.

Prepaid balances are for payments made by the City for which benefits extend beyond September 30, 2025, and the related non-spendable fund balance amount has been recognized to signify that a portion of fund balance is not available for other subsequent expenditures.

The cost of governmental fund type prepaid balances is recorded as an expenditure when consumed rather than when purchased.

Interfund Receivables and Payables

Short-term advances between funds are accounted for in the appropriate interfund receivable and payable accounts and are reported as "due to/from other funds." Long-term advances between funds are reported as "advances to/from other funds" and represent the non-current portion of interfund loans.

Legally authorized transfers are treated as transfers and are included in the results of operations of both governmental and proprietary funds.

Restricted Assets

Certain proceeds of enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. The Utility Capital Projects Fund is used to report those proceeds of revenue bond issuances that are restricted for use in construction. The Revenue Debt Service Fund is used to segregate resources accumulated for debt service payments over the next twelve months. The Revenue Bond Reserve Fund is used to report resources set aside to make up potential future deficiencies in the Revenue Debt Service Fund. The Revenue Bond Reserve Fund is required to reserve an amount not less than the average annual requirement for the payment of principal and interest on all the revenue bonds.

Also included in the restricted assets are capital recovery fees that are, by law, restricted to the projects these funds may be used to support. The Utility Development Impact Fee Fund is used to segregate these resources and to account for the use of these funds.

Customer deposits received for water and wastewater service are, by law, to be considered restricted assets. These activities are included in the Water and Wastewater Enterprise Fund.

The Utility Capital Projects Fund, Revenue Debt Service Fund, Revenue Bond Reserve Fund, and Utility Development Impact Fee Funds are included in the Water and Wastewater column on the proprietary funds statements.

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of $10,000 or greater and an estimated useful life in excess of one year. Such assets are recorded at historical cost. Donated capital assets are recorded at acquisition value. Right-to-use lease assets are discussed in Leases, and SBITA assets are discussed in Subscription-Based Information Technology Arrangements (SBITAs).

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Capital assets (including right-to-use leased assets) of the primary government, as well as the component units, are depreciated/amortized using the straight line method over the following estimated useful lives:

Assets	Years
Buildings/structures	10 to 50
Land improvements	10 to 50
Water and sewer system	50
Machinery and equipment	3 to 15
Motor vehicles	3 to 10
Traffic signals	10 to 15
Parks	20
Service animals	7 to 10
Storm sewer	50
Streets	20
SBITA software	2
Right-to-use leased buildings	3 to 6
Right-to-Use leased equipment	3 to 5

Compensated Absences

Vacation is earned in varying amounts up to a maximum of 200 hours per year for employees and 300 hours for fire shift personnel with 20 years or more of service. Unused vacation may be carried forward from one year to the next and is limited to 300 hours for employees and 450 hours for fire shift personnel. Sick leave is accrued by employees at a rate of 11.37 hours per month and by fire shift personnel at a rate of 15.4 hours per month.

Compensation for accrued sick leave is paid upon separation up to a maximum of 160 hours for employees (excluding fire and sworn police personnel) with 5 consecutive years of service. Qualifying fire personnel are eligible for varying amounts of sick leave up to a maximum of 1080 hours after 20 years of service. Qualifying sworn police personnel are eligible for varying amounts of sick leave up to a maximum of 770 hours after 20 years of service.

The City recognizes a liability for compensated absences for leave time that (1) has been earned for services previously rendered by employees, (2) accumulates and is allowed to be carried over to subsequent years, and (3) is more likely than not to be used as time off or settled (for example paid in cash to the employee or payment to an employee benefit account) during or upon separation from employment. The liability for compensated absences is reported as incurred in the government-wide and proprietary fund financial statements. A liability for compensated absences is recorded in the governmental funds only if the liability has matured because of employee resignations or retirements. The liability for compensated absences includes salary-related benefits, where applicable.

A liability for the estimated value of leave benefits that will be paid upon separation of service or used by employees as time off is included in the liability for compensated absences.

Bonds Payable and Other Long-Term Obligations

In the government-wide financial statements and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statement of net position.

Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

Deferred charges for refunding are amortized using the effective interest method over the remaining life of the old debt or the life of the new debt, whichever is shorter, and are recorded as deferred outflows of resources.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Leases

Lessee
The City is a lessee for non-cancellable leases of property and equipment. The City recognizes a lease liability, reported with long-term debt, and a right-to-use lease asset (lease asset), reported with other capital assets, in the government-wide and proprietary fund financial statements. The City recognizes lease liabilities with an initial, individual value of $125,000 or more.

At the commencement of a lease, the City initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over the shorter of the lease term or its useful life.

Key estimates and judgments related to leases include how the City determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The City uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the City generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the non-cancellable period of the lease.
- Lease payments included in the measurement of the lease liability are composed of fixed payments, variable payments fixed in substance or that depend on an index or a rate, purchase option price that the City is reasonably certain to exercise, lease incentives receivable from the lessor, and any other payments that are reasonably certain of being required based on an assessment of all relevant factors.

The City monitors changes in circumstances that would require a remeasurement of its leases and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lessor
The City is a lessor for noncancellable leases of property and equipment. The City recognizes a lease receivable and a deferred inflow of resources in the government-wide, governmental fund and proprietary fund financial statements.

At the commencement of a lease, the City initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments related to leases include how the City determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The City uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease.
- Lease payments included in the measurement of the lease receivable are composed of fixed payments from the lessee, variable payments from the lessee that are fixed in substance or that depend on an index or a rate, residual value guarantee payments from the lessee that are fixed in substance, and any lease incentives that are payable to the lessee.

The City monitors changes in circumstances that would require a remeasurement of its leases and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

Subscription-Based Information Technology Arrangements (SBITAs)

The City has noncancellable contracts with SBITA vendors for the right to use information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets). The City recognizes a subscription liability, reported with long-term debt, and a right-to-use subscription asset (an intangible asset), reported with other capital assets, in the government-wide financial statements. The City recognizes subscription liabilities with an initial, individual value of $125,000 or more.

At the commencement of an SBITA, the City initially measures the subscription liability at the present value of payments expected to be made during the subscription term. Subsequently, the subscription liability is reduced by the principal portion of SBITA payments made. The subscription asset is initially measured as the initial amount of the subscription liability, adjusted for SBITA payments made at or before the SBITA commencement date, plus certain initial implementation costs. Subsequently, the subscription asset is amortized on a straight-line basis over the shorter of the subscription term or the useful life of the underlying IT assets.

Key estimates and judgments related to SBITAs include how the City determines (1) the discount rate it uses to discount the expected subscription payments to present value, (2) subscription term, and (3) subscription payments.

- The City uses the interest rate charged by the SBITA vendor as the discount rate. When the interest rate charged by the SBITA vendor is not provided, the City generally uses its estimated incremental borrowing rate as the discount rate for SBITAs.
- The subscription term includes the noncancellable period of the SBITA.
- Subscription payments included in the measurement of the subscription liability are composed of fixed payments, variable payments fixed in substance or that depend on an index or a rate, termination penalties if the City is reasonably certain to exercise such options, subscription contract incentives receivable from the SBITA vendor, and any other payments that are reasonably certain of being required based on an assessment of all relevant factors.

The City monitors changes in circumstances that would require a remeasurement of its SBITAs and will remeasure the subscription asset and liability if certain changes occur that are expected to significantly affect the amount of the subscription liability.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Texas Municipal Retirement System (TMRS) and additions to/deductions from the City's fiduciary net position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. Information regarding the City's Total Pension Liability is obtained from TMRS through a report prepared for the City by TMRS consulting actuary, Gabriel Roeder Smith & Company, in compliance with Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. Allocations of pension items to the City's enterprise funds and component units are determined on the basis of employee payroll funding.

Defined Benefit Other Postemployment Benefit Plans

The City has two single-employer defined benefit other postemployment benefit (OPEB) plans (Plans). For purposes of measuring the total OPEB liability of each OPEB plan, deferred outflows of resources and deferred inflows of resources related to each OPEB plan, and OPEB expense have been determined on the same basis as they are reported by the Plans. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms for the Plans.

Governmental Activities, Business-type Activities and Component Units of the City reported the following total OPEB liability, deferred outflows of resources, and deferred inflows of resources related to OPEBs as of September 30, 2025:

	Total OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources
Governmental Activities:			
Retiree Health Care Plan	$ 11,800,186	$ 1,706,158	$ 12,713,647
Supplemental Death Benefits Plan	2,376,923	643,264	1,163,665
	$ 14,177,109	$ 2,349,422	$ 13,877,312
Business-Type Activities:			
Retiree Health Care Plan	$ 1,756,745	$ 254,005	$ 1,892,727
Component Units:			
Retiree Health Care Plan	$ 212,009	$ 30,654	$ 228,420

For the year ended September 30, 2025, the City recognized aggregate OPEB expense of $817,478.

Allocations of OPEB items to the City's enterprise funds and component units are determined on the basis of full-time employee counts by department.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets that applies to a future reporting period(s) and so will not be recognized as an outflow of resources (expense/expenditure/reduction of net pension liability) until then. The City has the following items that qualify for reporting in this category.

- Deferred charges for refundings – A deferred charge for refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

- Excess consideration provided for acquisition – In November 2013, the City purchased the hangars, office building/terminal, miscellaneous furniture and fixtures, and fixed base operations (FBO) from various related business entities at McKinney National Airport. This is the amount, net of amortization, which the City paid in excess of the fair value of the assets for the fixed base business operations. The deferred charges are being amortized over a period of 18 years.

- Pension contributions after measurement date – These contributions are deferred and reported as a reduction in net pension liability or increase in net pension asset in the year subsequent to their deferral.

- OPEB benefit and premium payments after measurement date – These benefit payments are deferred and reported as a reduction in total OPEB liability in the year subsequent to their deferral.

- Difference in projected and actual experience (pensions and OPEBs) – This difference is deferred and recognized over the estimated average remaining lives of all members determined as of the beginning of the measurement period.

- Changes of Assumptions (pensions and OPEBs) – This difference is deferred and recognized over the estimated average remaining lives of all members determined as of the beginning of the measurement period.

- Difference in projected and actual earnings on pension investments – This difference is deferred and amortized to pension expense over a closed five-year period.

In addition to liabilities, the statement of financial position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to a future reporting period(s) and so will not be recognized as an inflow of resources (revenue or reduction in pension and OPEB expense) until that time. The City has four types of items that qualify for reporting in this category in the government-wide financial statements. The difference in expected and actual experience and changes of assumptions are deferred and recognized over the estimated average remaining lives of all members determined as of the beginning of the measurement period. In the fund financial statements, resources unavailable for revenue recognition are deferred and recognized as revenue when available. In addition, there are deferred amounts related to leases, that is initially an offset to leases receivable recorded at lease commencement and is subsequently recognized as revenue over the life of the lease term.

Fund Equity

The City establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which the City is bound to observe the constraints imposed upon the use of the resources reported in governmental funds in accordance with GASB Statement No. 54. Fund balance classifications, under GASB 54, are Non-spendable, Restricted, Committed, Assigned and Unassigned.

Non-spendable fund balance represents fund balance that is (a) not in a spendable form such as prepaid items or (b) legally or contractually required to be maintained intact such as an endowment.

Restricted fund balance consists of amounts that can be spent only on the specific purposes stipulated by law or by the external providers of those resources as approved by the City Council or by their designated body or official.

Committed fund balances are self-imposed limitations set in place prior to the end of the fiscal period. These amounts can be used only for the specific purposes determined and approved by formal action of the City Council, which is the highest level of decision making authority for the City. The same level of formal action is required to remove the constraint.

Assigned fund balance consists of amounts that are subject to a purpose constraint that represents an intended use established by the City Council or the City Manager as defined in the Financial Policies.

Unassigned fund balance includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of assigned fund balance amounts.

When multiple categories of fund balance are available for expenditure, the City will start with the most restricted category and spend those funds first before moving down to the next category with available funds.

The City will maintain a minimum fund balance reserve equal to three months of the total operating expenses of the General Fund. All fund balances are formally approved on an annual basis by the City Council.

GASB Pronouncements Implemented by the City

GASB Statement No. 101, *Compensated Absences* (GASB 101), improves the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences under a unified model and amending certain previously required disclosures. The requirements of this statement are effective for reporting periods beginning after December 15, 2023, with earlier application encouraged. GASB 101 was implemented in the City's fiscal year 2025 financial statements with a restatement of $664,933 ($603,356 for the City and $61,577 for the Component Units) to net position as of October 1, 2024 to reflect the changes adopted to conform to the new standard.

GASB Statement No. 102, *Certain Risk Disclosures* (GASB 102), improves financial reporting by providing users of financial statements with essential information regarding certain concentrations of constraints and related events that have occurred or have begun to occur that make a government vulnerable to a substantial impact. The requirements of this statement are effective for reporting periods beginning after June 15, 2024, with earlier application encouraged. GASB 102 was implemented in the City's fiscal year 2025 financial statements with no impact to amounts or disclosures previously reported.

GASB Statement No. 103, *Financial Reporting Model Improvements* (GASB 103), improves key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This statement also addresses certain application issues. The requirements of this statement are effective for reporting periods beginning after June 15, 2025, with earlier application encouraged. GASB 103 will be implemented in the City's fiscal year 2026 financial statements and the impact has not yet been determined.

GASB Statement No. 104, *Disclosure of Certain Capital Assets* (GASB 104), establishes requirements for certain types of capital assets to be disclosed separately in the capital assets note disclosures. It also establishes requirements for capital assets held for sale, including additional disclosures for those capital assets. The requirements of this statement are effective for reporting periods beginning after June 15, 2025, with earlier application encouraged. GASB 104 will be implemented in the City's fiscal year 2026 financial statements and the impact has not yet been determined.

Note 2. Stewardship, Compliance, and Accountability

Budgetary Data

The City Charter establishes the fiscal year as the twelve-month period beginning October 1. Each department submits to the City Manager a budget of estimated expenditures for the ensuing fiscal year no later than August 1. The City Manager subsequently submits a budget of estimated expenditures and revenues to the City Council by August 15.

Upon receipt of the budget estimates, the Council holds a first reading on the Budget Ordinance and Tax Roll Ordinance. Information about the Budget Ordinance is then published in the official newspaper of the City. The Council is precluded from passing the Budget Ordinance (second reading) until ten days have passed after the Ordinance publication and after the first Monday in September.

Prior to October 1, the budget is legally enacted through passage of an ordinance. The legal level of budgetary control is at the fund level. The City Manager is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the City Council. Budgetary control has been established at the detail level by line item activity for management control.

Budgeted amounts are as originally adopted, or as legally amended. The City Council may amend the budget by passing a budget appropriation ordinance. During fiscal year 2025, the total amendments to the original adopted budgeted amounts resulted in a $16,197,120 increase in budgeted General Fund expenditures.

Budgets for the General Fund, Debt Service Fund, Capital Projects Fund, and each nonmajor special revenue fund are legally adopted on a basis consistent with GAAP.

Departmental appropriations that have not been expended or encumbered by the departments at the end of the fiscal year will lapse. Therefore, funds that were budgeted and not used by the departments during the fiscal year are not available for their use unless appropriated in the ensuing fiscal year's budget.

Encumbrances represent commitments related to unperformed contracts for goods or services. The commitments (purchase orders, contracts and other commitments for the expenditure of funds) are not treated as expenditures until a liability for payment is incurred but are merely used to facilitate effective budget control and cash planning and management.

Note 3. Detailed Notes on All Funds

Cash and Investments

Cash and investments as of September 30, 2025, consist of and are classified in the accompanying financial statements as follows:

PRIMARY GOVERNMENT		
Statement of net position:		
Cash and cash equivalents	$	232,696,404
Investments		218,177,346
Restricted cash and cash equivalents		552,046,949
Restricted investments		73,179,398
Total cash and investments	$	1,076,100,097
Cash on hand	$	9,676
Deposits with financial institution, excluding certificates of deposit		52,811,763
Investments		1,023,278,658
Total cash and investments	$	1,076,100,097
COMPONENT UNITS		
Statement of net position:		
Cash and cash equivalents	$	116,041,505
Investments		19,638,100
Restricted cash and cash equivalents		14,770,833
Total cash and investments	$	150,450,438
Cash on hand	$	200
Deposits with financial institution, excluding certificates of deposit		16,967,908
Investments		133,482,330
Total cash and investments	$	150,450,438

The table below identifies the investment types that are authorized for the City by the *Public Funds Investment Act* (Government Code Chapter 2256), the "Act". The table also identifies certain provisions of the City's investment policy that address interest rate risk, credit risk, and concentration of credit risk.

The Act also requires the City to have independent auditors perform test procedures related to investment practices as provided by the Act. The City is in substantial compliance with the requirements of the Act and with local policies.

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. The City investment policy is designed to manage its exposure to interest rate risk by investing in investment pools which purchase a combination of shorter-term investments with an average maturity of less than 60 days, thus reducing the interest rate risk. The City monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio. The City policy has a weighted average maturity limit of 730 days in aggregate.

As of September 30, 2025, the City had the following investments:

Investment Type	Amount	Weighted Average Maturity
PRIMARY GOVERNMENT		
TexPool/TexPool Prime	$ 256,745,892	44 days
LOGIC	168,911,184	46 days
TexasDAILY	99,251,837	43 days
Texas CLASS	207,013,001	43 days
Federal Agency Securities	291,356,744	
Total Fair Value	$ 1,023,278,658	
COMPONENT UNITS		
TexPool/TexPool Prime	$ 24,648,253	44 days
LOGIC	62,780,620	46 days
TexasDAILY	3,248,747	43 days
Texas CLASS	23,166,610	43 days
Federal Agency Securities	19,638,100	
Total Fair Value	$ 133,482,330	
Total Fair Value - Reporting Entity	$ 1,156,760,988	

* The table reflects the investment pool's weighted average maturity as it relates to the City's investment policy.

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the Act, the City's investment policy, or debt agreements, and the actual rating as of year-end for each investment type.

Investment Type	Amount	Minimum Legal Rating	Rating as of Year End
PRIMARY GOVERNMENT			
TexPool/TexPool Prime	$ 256,745,892	AAA/AAA-m	AAA-m
LOGIC	168,911,184	AAA/AAA-m	AAA-m
TexasDAILY	99,251,837	AAA/AAA-m	AAA-m
Texas CLASS	207,013,001	AAA/AAA-m	AAA-m
Federal Agency Securities	291,356,744	AAA	AAA
	$ 1,023,278,658		

Investment Type	Amount	Minimum Legal Rating	Rating as of Year End
COMPONENT UNITS			
TexPool/TexPool Prime	$ 24,648,253	AAA/AAA-m	AAA-m
LOGIC	62,780,620	AAA/AAA-m	AAA-m
TexasDAILY	3,248,747	AAA/AAA-m	AAA-m
Texas CLASS	23,166,610	AAA/AAA-m	AAA-m
Federal Agency Securities	19,638,100	AAA	AAA
	$ 133,482,330		

Custodial Credit Risk

The Act and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The Act requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least the bank balance less the FDIC insurance at all times.

As of September 30, 2025, the City deposits with financial institutions in excess of federal depository insurance limits were fully collateralized.

The City is a voluntary participant in TexPool. The State Comptroller of Public Accounts exercises responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management and accountability for fiscal matters.

Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. TexPool uses amortized cost rather than the market value to report net position to compute share prices. Accordingly, the fair value of the position in TexPool is the same as the net asset value of TexPool shares.

The City invested in the Texas Local Government Investment Cooperative (LOGIC) Liquid Asset Portfolio. LOGIC is a public funds investment pool managed by Hilltop Securities. LOGIC uses amortized cost rather than market value to report net position to compute share prices. Accordingly, the fair value of the position in LOGIC is the same as the net asset value of LOGIC shares.

The City is invested in Texas Daily, a portfolio of the TexasTERM Local Government Investment Pool (Pool) which was created by Texas local governments to provide investment programs tailored to the needs of Texas cities, counties, school districts and other public investors. The Pool is directed by an Advisory Board of experienced local government finance directors and treasurers. The Advisory Board contracts for services with professional service providers who are industry leaders in their field.

The City is invested in Texas Cooperative Liquid Assets Securities System (Texas CLASS) Trust. Texas CLASS was created as an investment pool for its participants pursuant to Section 2256.016 of the Public Funds Investment Act, Texas Government Code, or other laws of the State of Texas governing the investment of funds of a participant or funds under its control. Texas CLASS is administered by Public Trust Advisors, LLC, with UMB Bank as the Custodian. Texas CLASS is supervised by a Board of Trustees who are elected by the participants.

Property Taxes

Property tax is levied each October 1st on the assessed value listed as of the prior January 1st for all real and personal property located in the City. Assessed value represents the appraisal value less applicable exemptions authorized by the City Council. The Appraisal Board of Review establishes appraised values at 100% for estimated market value. A tax lien attaches to the property on January 1st of each year, to secure the payment of all taxes, penalties, and interest ultimately imposed for the year on that property, whether or not the taxes are imposed in the year the lien attaches.

Taxes are due on October 1st immediately following the levy date and are delinquent after the following January 31st. Current tax collections for the year ended September 30, 2025, were 99.64% of the adjusted tax levy.

Allocations of property tax levy by purpose for 2025 and the preceding year are as follows (amounts per $100 assessed value):

	2025	2024
General Fund	$ 0.278935	$ 0.286688
Debt Service	0.136578	0.140825
	$ 0.415513	$ 0.427513

Property taxes are recorded as receivables and deferred revenues at the time the tax levy is billed. Revenues are recognized as the related ad valorem taxes are collected. Additional delinquent property taxes estimated to be collectible within sixty days following the close of the fiscal year have been recognized as revenue at the fund level. In Texas, county-wide central appraisal districts are required under the Property Tax Code to assess all property within the appraisal district on the basis of 100% of its market value and are prohibited from applying any assessment ratios.

The value of property within the appraisal district must be reviewed every five years; however, the City may, at its own expense, require annual reviews of appraised values. The City may challenge appraised values established by the appraisal district through various appeals, and, if necessary, take legal action. Under this legislation, the City continues to set tax rates on City property. However, if the effective tax rate, including tax rates for bonds and other contractual obligations adjusted for new improvements, exceeds the rate for the previous year by more than 8%, qualified voters of the City may petition for an election to determine whether to limit the tax rate to no more than 8% above the tax rate of the previous year.

The statutes of the State of Texas do not prescribe a legal debt limit. However, Article XI, Section 5 of the Texas Constitution applicable to cities of more than 5,000 population limits the ad valorem tax rate to $2.50 per $100 assessed valuation. The City operates under a Home Rule Charter which also imposes a limit of $2.50 but does not prescribe a legal debt limit. The 2025 ad valorem tax rate of $0.415513 is in compliance with the rate limitation.

Receivables

Receivables as of year-end for the government's individual major funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	Governmental Funds				
	General	Debt Service	Capital Projects	Nonmajor Governmental Funds	Total
Interest	$ 665,607	$ -	$ 495,960	$ -	$ 1,161,567
Taxes	13,239,673	559,927	-	318,076	14,117,676
Accounts	4,204,361	-	-	101,436	4,305,797
Notes	1,156,052	-	-	1,500,000	2,656,052
Leases	14,354,747	-	-	-	14,354,747
Due from other governments	139,506	-	912,926	653,026	1,705,458
Gross receivables	33,759,946	559,927	1,408,886	2,572,538	38,301,297
Less: allowance	(865,889)	-	-	-	(865,889)
Net total receivables and due from other governments	$ 32,894,057	$ 559,927	$ 1,408,886	$ 2,572,538	$ 37,435,408

	Business-type Activities			
	Water Wastewater	Airport	Nonmajor Enterprise Funds	Total
Customer accounts	$ 21,931,314	$ 290,165	$ 3,064,095	$ 25,285,574
Leases	-	8,275,938	-	8,275,938
Due from other governments	-	120,752	-	120,752
Gross receivables	21,931,314	8,686,855	3,064,095	33,682,264
Less: allowance	(435,425)	-	(49,076)	(484,501)
Net total receivables	$ 21,495,889	$ 8,686,855	$ 3,015,019	$ 33,197,763
Accrued interest receivable	$ 530,220	$ 456,592	$ -	$ 986,812

The business-type activities accounts receivable includes unbilled charges for services rendered at September 30, 2025. The Water and Wastewater Fund also reported restricted interest receivables at year-end of $89,312.

At September 30, 2025, accounts and notes receivable on the Statement of Net Position represent amounts owed to the MEDC for loans made to private businesses in the community. If certain contractual obligations are met by some of these private enterprises at a future date, a portion of the amounts owed may be forgiven. Due to the likelihood that the provisions will be met by the corporations, the City has elected to expense the advance at the time of transfer. At September 30, 2025, accounts receivable includes $4,207,216 representing sales tax owed to MEDC. Receivables as of year-end for MEDC were collected after year-end; therefore, no allowances for uncollectible accounts have been recorded for September 30, 2025.

At September 30, 2025, accounts receivable include $4,207,216 representing sales tax owed to MCDC. Receivables as of year-end for MCDC were collected after year-end; therefore, no allowances for uncollectible accounts have been recorded for September 30, 2025.

At September 30, 2025, MHFC accounts receivable include $156,497 for services provided. Receivables as of year-end for MHFC were collected after year-end; therefore, no allowances for uncollectible accounts have been recorded for September 30, 2025.

Leases receivable - The City has entered into multiple lease agreements as lessor. The leases allow the right-to-use of land, hangar or office space, sports complexes, and cell sites to other organizations over the term of the lease. The City receives annual or monthly payments at the interest rate stated or implied within the leases. The interest rates for these leases are 4.00%. The City has $22,630,685 remaining in lease receivables and $20,827,055 remaining in deferred inflows as of September 30, 2025. MEDC has $489,585 remaining in lease receivables and $454,243 remaining in deferred inflows as of September 30, 2025. MCDC has $7,508,231 remaining in lease receivables and $7,295,848 remaining in deferred inflows as of September 30, 2025.

	Interest Rate	Receivable at Commencement	Lease Term in Years	Ending Balance
General Fund				
Sports complexes	4.00%	$ 10,249,980	2-19	$ 9,147,750
Land	4.00%	411,276	50	97,215
Cell sites	4.00%	5,901,820	10-20	5,109,782
Total governmental activities				$ 14,354,747
Airport Fund				
Land	4.00%	$ 2,762,432	20-27	$ 2,560,219
Hangar or office space	4.00%	10,875,521	3-8	5,715,719
Total business-type activities				$ 8,275,938
Component Units				
MEDC - sublease	4.00%	$ 603,993	10	$ 489,585
MCDC - sublease	4.00%	7,485,852	10	7,508,231
Total Component Units				$ 7,997,816

Capital Assets

Capital asset activity for the year ended September 30, 2025, was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental activities:					
Capital assets not being depreciated:					
Land	$ 93,657,026	$ -	$ -	$ 200,290	$ 93,857,316
Works of art	1,060,170	129,000	-	-	1,189,170
Construction in progress	235,437,401	101,263,486	(12,601,713)	(176,001,160)	148,098,014
Total capital assets, not being depreciated	330,154,597	101,392,486	(12,601,713)	(175,800,870)	243,144,500
Capital assets being depreciated/amortized:					
Buildings	247,015,979	413,701	(2,299,749)	118,121,931	363,251,862
Right-to-use lease buildings	8,057,956	2,488,852	(3,902,190)	-	6,644,618
SBITA assets	1,476,315	3,847,694	(1,332,010)	-	3,991,999
Infrastructure	1,138,058,464	70,075,654	(99,385)	51,822,945	1,259,857,678
Machinery & equipment	86,655,776	8,465,908	(2,871,041)	5,855,994	98,106,637
Service animals	53,500	14,000	(12,000)	-	55,500
Total capital assets being depreciated/amortized	1,481,317,990	85,305,809	(10,516,375)	175,800,870	1,731,908,294
Less accumulated depreciation/amortization for:					
Buildings	(71,961,499)	(6,688,851)	699,714	-	(77,950,636)
Right-to-use lease buildings	(3,237,146)	(1,968,022)	3,171,562	-	(2,033,606)
SBITA assets	(1,380,112)	(1,424,507)	1,332,009	-	(1,472,610)
Infrastructure	(634,989,602)	(45,287,851)	99,385	-	(680,178,068)
Machinery and equipment	(57,465,291)	(7,231,529)	2,654,812	-	(62,042,008)
Service animals	(19,740)	(6,255)	2,286	-	(23,709)
Total accumulated depreciation/amortization	(769,053,390)	(62,607,015)	7,959,768	-	(823,700,637)
Total capital assets being depreciated/amortized, net	712,264,600	22,698,794	(2,556,607)	175,800,870	908,207,657
Governmental activities, capital assets, net	$ 1,042,419,197	$ 124,091,280	$ (15,158,320)	$ -	$ 1,151,352,157

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Business-type activities:					
Capital assets not being depreciated:					
Land	$ 53,897,542	$ -	$ -	$ -	$ 53,897,542
Construction in progress	69,717,815	83,066,190	(7,724,950)	(58,090,403)	86,968,652
Total capital assets, not being depreciated	123,615,357	83,066,190	(7,724,950)	(58,090,403)	140,866,194
Capital assets being depreciated/amortized:					
Buildings	73,205,831	160,457	-	21,757,170	95,123,458
Infrastructure	802,250,251	50,865,630	-	35,127,344	888,243,225
Machinery & equipment	43,847,296	3,910,224	(1,470,570)	1,205,889	47,492,839
Right-to-use lease machinery & equipment	532,172	1	-	-	532,173
Total capital assets being depreciated/amortized	919,835,550	54,936,312	(1,470,570)	58,090,403	1,031,391,695
Less accumulated depreciation/amortization for:					
Buildings	(23,610,179)	(2,345,989)	-	-	(25,956,168)
Infrastructure	(212,552,389)	(18,726,782)	-	-	(231,279,171)
Machinery and equipment	(14,491,995)	(3,746,132)	1,361,015	-	(16,877,112)
Right-to-use lease machinery & equipment	(225,390)	(75,130)	-	-	(300,520)
Total accumulated depreciation/amortization	(250,879,953)	(24,894,033)	1,361,015	-	(274,412,971)
Total capital assets being depreciated/amortized, net	668,955,597	30,042,279	(109,555)	58,090,403	756,978,724
Business-type activities, capital assets, net	$ 792,570,954	$ 113,108,469	$ (7,834,505)	$ -	$ 897,844,918

Depreciation/amortization expense was charged to functions/programs of the primary government as follows:

Governmental Activities:		
APEX	$	939,685
Development		230,018
Fire		3,738,890
Fleet maintenance		53,275
General government		5,839,063
Libraries		689,934
Parks and recreation		7,460,489
Police		2,055,461
Public works		41,600,200
Total depreciation/amortization expense - governmental activities	$	62,607,015
Business-type activities:		
Airport		5,838,598
Golf Course		105,659
Solid Waste		806,426
Surface Water Drainage		424,434
Water and Wastewater		17,718,916
Total depreciation/amortization expense - business-type activities		24,894,033
Airport		
Amortization of excess cost of consideration		393,068
Total depreciation and amortization - business-type activities	$	25,287,101

Capital asset activity for discretely presented component units for the year ended September 30, 2025, was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
MEDC:					
Capital assets, not being depreciated:					
Land	$ 66,682,807	$ 51,409,511	$ (11,717,497)	$ -	$ 106,374,821
Total capital assets, not being depreciated	66,682,807	51,409,511	(11,717,497)	-	106,374,821
Capital assets, being depreciated/amortized:					
Buildings	190,561	-	-	-	190,561
Improvements other than buildings	255,508	-	-	-	255,508
Machinery and equipment	298,943	-	-	-	298,943
Right-to-use lease assets	2,058,211	-	-	-	2,058,211
Total capital assets being depreciated/amortized	2,803,223	-	-	-	2,803,223
Less accumulated depreciation/amortization for:					
Buildings	(39,700)	(19,056)	-	-	(58,756)
Improvements other than buildings	(255,508)	-	-	-	(255,508)
Machinery and equipment	(135,182)	(68,907)	-	-	(204,089)
Right-to-use lease assets	(291,580)	(205,821)	-	-	(497,401)
Total accumulated depreciation/amortization	(721,970)	(293,784)	-	-	(1,015,754)
Total capital assets being depreciated/amortized, net	2,081,253	(293,784)	-	-	1,787,469
Capital Assets, Net	$ 68,764,060	$ 51,115,727	$ (11,717,497)	$ -	$ 108,162,290

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
MCDC:					
Capital Assets, not being depreciated:					
Land	$ 6,279,989	$ -	$ -	$ -	$ 6,279,989
Construction in progress	-	28,930	-	-	28,930
Total capital assets, not being depreciated	6,279,989	28,930	-	-	6,308,919
Capital assets, being depreciated/amortized:					
Buildings	18,675,601	-	-	-	18,675,601
Infrastructure	206,765	-	-	-	206,765
Right-to-use lease assets	686,070	-	-	-	686,070
Total capital assets being depreciated/amortized	19,568,436	-	-	-	19,568,436
Less accumulated depreciation/amortization for:					
Buildings	(42,182)	(468,081)	-	-	(510,263)
Infrastructure	(124,920)	(10,338)	-	-	(135,258)
Right-to-use lease assets	(97,193)	(68,607)	-	-	(165,800)
Total accumulated depreciation/amortization	(264,295)	(547,026)	-	-	(811,321)
Total capital assets being depreciated/amortized, net	19,304,141	(547,026)	-	-	18,757,115
Capital Assets, Net	$ 25,584,130	$ (518,096)	$ -	$ -	$ 25,066,034

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
MCVB:					
Capital assets, being depreciated/amortized:					
Machinery & equipment	$ -	$ 36,842	$ -	$ -	$ 36,842
Right-to-use lease assets	559,199	-	-	-	559,199
Total capital assets being depreciated/amortized	559,199	36,842	-	-	596,041
Less accumulated depreciation/amortization for:					
Machinery & equipment	-	(2,456)	-	-	(2,456)
Right-to-use lease assets	(109,112)	(54,556)	-	-	(163,668)
Total accumulated depreciation/amortization	(109,112)	(57,012)	-	-	(166,124)
Total capital assets being depreciated/amortized, net	450,087	(20,170)	-	-	429,917
Capital Assets, Net	$ 450,087	$ (20,170)	$ -	$ -	$ 429,917

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
MMS:					
Capital assets being depreciated:					
Infrastructure	$ 127,183	$ -	$ -	$ -	$ 127,183
Machinery & equipment	74,901	-	-	-	74,901
Total capital assets being depreciated	202,084	-	-	-	202,084
Less accumulated depreciation for:					
Infrastructure	(27,490)	(6,359)	-	-	(33,849)
Machinery and equipment	(66,374)	(6,498)	-	-	(72,872)
Total accumulated depreciation	(93,864)	(12,857)	-	-	(106,721)
Total capital assets being depreciated, net	108,220	(12,857)	-	-	95,363
Capital Assets, Net	$ 108,220	$ (12,857)	$ -	$ -	$ 95,363

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
MHFC:					
Capital assets not being depreciated:					
Land	$ 5,471,638	$ -	$ -	$ -	$ 5,471,638
Total capital assets, not being depreciated	5,471,638	-	-	-	5,471,638
Capital Assets	$ 5,471,638	$ -	$ -	$ -	$ 5,471,638

Capital Improvement Program Commitments

The City has active construction projects as of September 30, 2025. The projects include Governmental type activities such as: streets, parks, fire, police, facilities, library, and stormwater construction. The commitment for Governmental Activities is being financed by General Obligation Bonds, Certificates of Obligation Bonds, impact fees, developer contributions, and grants. The Water/Wastewater and Airport commitments are being financed by revenue bonds, Certificates of Obligation Bonds, impact fees, developer contributions, and grants. The remaining commitment was for expenditures not yet incurred.

Commitments for construction in progress are composed of the following:

	Project Budget Appropriation	Spent-to-date	Remaining Commitment
Governmental	$ 746,336,685	$ 421,404,359	$ 324,932,326
Water and Wastewater	295,707,184	93,857,238	201,849,946
Airport	198,333,179	86,361,847	111,971,332
Total	$ 1,240,377,048	$ 601,623,444	$ 638,753,604

Interfund Receivables, Payables and Transfers

A summary of interfund receivables and payables balances at September 30, 2025, is as follows:

Receivable Fund	Payable Fund	Amount	Primary Purpose
General Fund	Water/Wastewater Fund	$ 519,986	Franchise Fee Accrual
Water/Wastewater Fund	Solid Waste	17,229	Sanitation Billing Accrual
General Fund	Solid Waste	23,364	License Fee Accrual
General Fund	Non-Major Governmental Funds	38,482	To Cover Cash Shortage
	Total	$ 599,061	

Transfers between funds during the year were as follows:

	Transfers In							
Transfer Out	General Fund	Debt Service Fund	Capital Projects	Nonmajor Governmental Funds	Airport Fund	Water and Wastewater	Nonmajor Enterprise Funds	Total
Nonmajor enterprise funds	$ 1,006,188	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,006,188
General fund	-	-	3,910,000	470,000	-	-	-	4,380,000
Airport fund	-	1,349,973	-	-	-	-	-	1,349,973
Nonmajor governmental funds	716,664	-	4,000,000	-	8,000,000	1,225,000	-	13,941,664
Water and wastewater	8,478,887	-	3,500,000	-	5,000,000	-	201,228	17,180,115
	$ 10,201,739	$ 1,349,973	$ 11,410,000	$ 470,000	$ 13,000,000	$ 1,225,000	$ 201,228	$ 37,857,940

Transfers are used to:

- Move revenues from the fund with collection authorization to the debt service fund as debt service principal and interest payments become due.
- Move restricted amounts from borrowing to the debt service fund to establish mandatory reserve accounts.
- Move unrestricted general fund revenues to finance various programs that the City must account for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies or matching funds for various grants programs.
- Support monthly general and administrative fees which are expected to be paid from governmental activities.

The City's more significant transfers are listed below:

- Transfers of $8,478,887 were made from the water and wastewater fund, $1,006,188 from the nonmajor enterprise funds, and $716,664 from the nonmajor governmental funds to the general fund in order to supplement the general fund for monthly general and administrative fees as well as fund the capital equipment replacement fund, held within the general fund.
- Transfers of $3,910,000 were made from the general fund, $4,000,000 from the nonmajor governmental funds, and $3,500,000 from the water and wastewater fund to the capital projects fund for CIP projects.
- Transfers of $5,000,000 were made from the water and wastewater fund and $8,000,000 from nonmajor governmental funds to the airport fund for airport projects.

Note Receivable
In January 2010, City Council approved a loan from the solid waste fund to the golf course fund. The loan was issued in the amount of $800,000. In March 2011, City Council approved an increase to the existing loan of $261,000. The balance of the note as of September 30, 2025, is $301,244. Under the loan agreement, the golf course fund will make interest payments annually at a rate of 1.75% through 2030.

In March 2017, City Council approved a loan from the solid waste fund to the airport fund. The loan was issued in the amount of $5,000,000. Under the loan agreement, the airport will make interest payments annually at a rate of 1.49% through 2028. As of September 30, 2025, the outstanding balance was $2,002,366.

Unavailable/Unearned Revenue

Governmental funds report unavailable revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds report unearned revenue in connection with resources that have been received, but not yet earned. Tax, court, EMS and franchise fees which are reported as unavailable revenue in the governmental funds are recorded as revenue in the government-wide financial statements. Grant and miscellaneous revenues are reported as unearned in both the governmental fund and government-wide financial statements.

At the end of the current fiscal year, the various components of unavailable and unearned revenue reported in the governmental funds were as follows:

	General Fund	Debt Service Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Unavailable Revenue	Total Unearned Revenue
Tax revenue	$ 1,242,246	$ 593,641	$ -	$ -	$ 1,835,887	$ -
Court revenue	233,756	-	-	-	233,756	-
EMS revenue	758,982	-	-	-	758,982	-
Franchise fees	1,215,471	-	-	-	1,215,471	-
Miscellaneous	774,657	-	436,187	499,509	-	1,710,353
	$ 4,225,112	$ 593,641	$ 436,187	$ 499,509	$ 4,044,096	$ 1,710,353

Long-Term Debt

A summary of long-term debt transactions, including the current portion, for the year ended September 30, 2025, is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Bonds payable:					
General obligation bonds	$ 435,465,000	$ 62,090,000	$ (65,130,000)	$ 432,425,000	$ 39,065,000
Certificates of obligation	39,845,000	27,985,000	(1,430,000)	66,400,000	2,530,000
	475,310,000	90,075,000	(66,560,000)	498,825,000	41,595,000
Issuance premium	34,898,696	5,912,172	(6,603,977)	34,206,891	4,134,654
Total bonds payable	510,208,696	95,987,172	(73,163,977)	533,031,891	45,729,654
Arbitrage liability	3,435,879	2,035,275	-	5,471,154	-
Right-to-use lease liability	5,043,181	2,488,852	(2,800,561)	4,731,472	1,488,954
Subscription liability	98,077	3,847,694	(1,312,009)	2,633,762	1,358,663
Net pension liability	58,288,130	-	(9,401,465)	48,886,665	-
Total OPEB liability	17,441,079	-	(3,263,970)	14,177,109	-
Compensated absences*	19,434,306	1,796,954	-	21,231,260	1,486,189
Governmental activities - long-term debt	$ 613,949,348	$ 106,155,947	$ (89,941,982)	$ 630,163,313	$ 50,063,460
Business-type activities:					
Bonds payable:					
Water and Wastewater revenue bonds	$ 266,080,000	$ 26,355,000	$ (14,450,000)	$ 277,985,000	$ 13,115,000
Issuance premium	28,037,389	2,035,845	(3,302,472)	26,770,762	3,020,833
Total bonds payable	294,117,389	28,390,845	(17,752,472)	304,755,762	16,135,833
Arbitrage liability	5,507,167	1,261,301	-	6,768,468	-
Right-to-use lease liability	324,996	-	(74,761)	250,235	77,807
Net pension liability	7,797,151	-	(519,184)	7,277,967	-
Total OPEB liability	2,018,467	-	(261,722)	1,756,745	-
Compensated absences*	2,043,716	225,810	-	2,269,526	158,867
Business-type activities - long-term debt	$ 311,808,886	$ 29,877,956	$ (18,608,139)	$ 323,078,703	$ 16,372,507

*Compensated absences are reported as a net change for the year as allowed under the provisions of GASB 101, paragraph 30.

A summary for long-term debt transactions, including the current portion, for the discretely presented component units for the year ended September 30, 2025 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
MEDC:					
Bonds payable					
Sales tax revenue bonds	$ 16,100,000	$ 63,060,000	$ (2,205,000)	$ 76,955,000	$ 2,230,000
Issuance premium	-	178,636	(3,525)	175,111	8,462
Right-to-use lease liability	1,842,309	-	(165,628)	1,676,681	177,453
Net pension liability	635,372	-	(141,835)	493,537	-
Total OPEB liability	164,480	-	(45,351)	119,129	-
Compensated absences*	89,219	70,086	-	159,305	11,151
Component unit activities					
Long-term debt	$ 18,831,380	$ 63,308,722	$ (2,561,339)	$ 79,578,763	$ 2,427,066
MCDC:					
Bonds payable					
Sales tax revenue bonds	$ 15,095,000	$ 30,170,000	$ (1,145,000)	$ 44,120,000	$ 1,180,000
Right-to-use lease liability	614,103	-	(55,209)	558,894	59,151
Net pension liability	162,893	-	(18,153)	144,740	-
Total OPEB liability	42,168	-	(7,231)	34,937	-
Compensated absences*	66,201	1,891	-	68,092	4,766
Component unit activities					
Long-term debt	$ 15,980,365	$ 30,171,891	$ (1,225,593)	$ 44,926,663	$ 1,243,917
MCVB:					
Right-to-use lease liability	$ 480,737	$ -	$ (43,152)	$ 437,585	$ 49,470
Net pension liability	247,725	-	(7,676)	240,049	-
Total OPEB liability	64,129	-	(6,186)	57,943	-
Compensated absences*	53,490	15,162	-	68,652	4,806
Component unit activities					
Long-term debt	$ 846,081	$ 15,162	$ (57,014)	$ 804,229	$ 54,276

*Compensated absences are reported as a net change for the year as allowed under the provisions of GASB 101, paragraph 30.

Compensated Absences

A liability for the estimated value of leave benefits that will be paid upon separation of service or used by employees as time off is included in the liability for compensated absences. The retirement of this liability is typically paid from the General Fund, Enterprise Funds, and Component Units based on the assignment of an employee at termination.

General Obligation Bonds and Certificates of Obligation

The General Obligation Bonds include $498,825,000 of Bonds and Certificates of Obligation with interest rates ranging from 1.00% to 7.00% maturing annually in varying amounts through 2052. Interest for these obligations is payable semi-annually. They are backed by the full faith and credit of the City and are payable from property taxes. The Certificates are additionally secured, by a limited pledge of certain net revenues of the City as specified in their official statements.

In June 2025, the City issued $35,650,000 General Obligation Bonds, Series 2025A. The bonds were issued with a premium of $1,422,587 with interest rates ranging from 4.125 - 5.00% and mature through 2045.

In June 2025, the City issued $26,440,000 General Obligation Refunding Bonds, Series 2025B. The debt was issued for in order to refund the City's General Obligation Bonds, Series 2015. The bonds were issued at a premium of $2,334,892 with interest rates at 5.00% and mature through 2035. The refunding bond proceeds were used to purchase U.S. Government securities and these securities were placed in an irrevocable escrow account until the refunded bonds are redeemed. The City, in effect, decreased its aggregate debt service payments by $2,987,683 and resulted in an economic gain (difference between present values of the old and new debt service payment) of $2,340,188.

In June 2025, the City issued $27,985,000 Tax and Limited Pledge Waterworks and Sewer System Revenue Certificates of Obligation, Series 2025. The debt was issued for various drainage system improvements. The bonds were issued at a premium of $2,154,693 with interest rates at 5.00% and mature through 2045.

Debt service requirements of the general obligation bonds and certificates of obligation bonds for the years subsequent to September 30, 2025, are as follows:

	General Obligation Bonds			Certificates of Obligation			
Fiscal Year	Principal Requirements	Interest Requirements	Total Requirements	Principal Requirements	Interest Requirements	Total Requirements	Total GO and CO Requirements
2026	$ 39,065,000	$ 18,834,345	$ 57,899,345	$ 2,530,000	$ 3,414,905	$ 5,944,905	$ 63,844,250
2027	23,270,000	16,701,425	39,971,425	3,250,000	3,093,836	6,343,836	46,315,261
2028	23,785,000	15,617,405	39,402,405	3,385,000	2,958,291	6,343,291	45,745,696
2029	25,700,000	14,505,222	40,205,222	2,575,000	2,816,656	5,391,656	45,596,878
2030	25,260,000	13,322,094	38,582,094	2,685,000	2,704,137	5,389,137	43,971,231
2031-2035	121,855,000	51,375,835	173,230,835	15,360,000	11,589,098	26,949,098	200,179,933
2036-2040	107,785,000	27,171,638	134,956,638	18,290,000	7,682,521	25,972,521	160,929,159
2041-2045	59,865,000	7,508,698	67,373,698	18,325,000	2,759,831	21,084,831	88,458,529
2046-2050	4,000,000	884,656	4,884,656	-	-	-	4,884,656
2051-2052	1,840,000	114,675	1,954,675	-	-	-	1,954,675
	$ 432,425,000	$ 166,035,993	$ 598,460,993	$ 66,400,000	$ 37,019,275	$ 103,419,275	$ 701,880,268

Proceeds of General Obligation Bonds are recorded in the Capital Projects Fund and are restricted to the use for which they were approved in the bond elections. The City Charter expressly prohibits the use of bond proceeds to fund operating expenditures. The City Charter does not prescribe a debt limit.

Revenue Bonds

The revenue bonds are serial obligations with interest rates ranging from 2.00% to 5.00%, maturing annually in varying amounts through years 2043 and interest is payable semi-annually. Revenue bonds are used to finance the acquisition and construction of major capital improvements for the water and sewer system and related facilities. These revenue bonds constitute special obligations of the City solely secured by a lien on and pledge of the net revenues of the water and sewer system.

The revenue bonds are collateralized by the revenue of the Water and Wastewater Fund and the Debt Service Reserve Fund established by the bond ordinances. The ordinances provide that the gross revenues are to be used first to pay operating and maintenance expenses of the system, and second to maintain revenue bond funds in accordance with bond covenants. Remaining revenues may then be used for any lawful purpose. The ordinances also contain provisions which, among other items, restrict the issuance of additional revenue bonds unless the special funds noted above contain the required amounts and certain financial ratios are met. Annual principal and interest requirements on revenue bonds were less than 40 percent of net revenues. The City is in compliance with the revenue bond debt covenants as of September 30, 2025. In June 2025, the City issued $26,355,000 Waterworks and Sewer System Revenue Refunding and Improvement Bonds, Series 2025. The debt was issued for various water and sewer system improvements. The bonds were issued with a premium of $2,035,845 with interest rates at 5.00% and mature through 2045. The City, in effect, decreased its aggregate debt service payments by $246,733 and resulted in an economic gain (difference between present values of the old and new debt service payment) of $209,737.

Debt service requirements of the water and wastewater revenue bonds for the years subsequent to September 30, 2025, are as follows:

	Revenue Bonds		
Fiscal Year	Principal Requirements	Interest Requirements	Total Requirements
2026	$ 13,115,000	$ 12,359,019	$ 25,474,019
2027	13,760,000	11,713,619	25,473,619
2028	14,440,000	11,031,369	25,471,369
2029	14,540,000	10,335,719	24,875,719
2030	14,430,000	9,630,344	24,060,344
2031-2035	83,530,000	36,766,497	120,296,497
2036-2040	84,100,000	17,329,550	101,429,550
2041-2043	40,070,000	3,082,125	43,152,125
	$ 277,985,000	$ 112,248,242	$ 390,233,242

Sales Tax Revenue Bonds

The sales tax revenue bonds are serial obligations with interest rates ranging from 0.34% to 4.12%, maturing annually in varying amounts through 2035 and interest is payable semi-annually. These bonds are special obligations of the corporations payable from and secured by a lien on and pledge of the proceeds of the ¼ of the ½ cent sales and use tax levied within the City for the benefit of the respective component unit corporation.

The sales tax revenue bonds are used to defray the cost of any "project" defined as such by the Development Corporation Act of 1979, as amended. MEDC bonds were issued for approved projects of runway improvements at the City's airport and land acquisition. MCDC bonds were issued to construct and equip a community aquatics and fitness center to be donated to the City. These bonds are collateralized by the gross sales tax revenues of the corporations and the various special funds established by the bond ordinances. The ordinances also contain provisions which, among other items, restrict the issuance of additional revenue bonds unless the special funds noted above contain the required amounts and certain financial ratios are met.

Annual principal and interest requirements on sales tax revenue bonds for the Corporations were less than 15% of gross sales tax revenues. The Corporations are in compliance with the bond covenants as of September 30, 2025.

Debt service requirements for the discretely presented component units of the sales tax revenue bonds for the years subsequent to September 30, 2025, are as follows:

	Sales Tax Revenue Bonds		
MEDC Fiscal Year	Principal Requirements	Interest Requirements	Total
2026	$ 2,230,000	$ 3,975,740	$ 6,205,740
2027	2,255,000	3,948,980	6,203,980
2028	2,290,000	3,915,606	6,205,606
2029	2,330,000	3,878,279	6,208,279
2030	2,370,000	3,834,475	6,204,475
2031-2035	8,005,000	18,317,201	26,322,201
2036-2040	8,885,000	16,268,341	25,153,341
2041-2045	11,765,000	13,388,424	25,153,424
2046-2050	15,720,000	9,421,927	25,141,927
2051-2055	21,105,000	4,031,935	25,136,935
	$ 76,955,000	$ 80,980,908	$ 157,935,908

MCDC Fiscal Year	Principal Requirements	Interest Requirements	Total
2026	$ 1,180,000	$ 1,825,848	$ 3,005,848
2027	1,220,000	1,787,132	3,007,132
2028	1,260,000	1,745,274	3,005,274
2029	8,385,000	1,700,784	10,085,784
2030	8,730,000	1,351,083	10,081,083
2031-2035	23,345,000	1,982,390	25,327,390
	$ 44,120,000	$ 10,392,511	$ 54,512,511

Conduit Debt

The McKinney Housing Finance Corporation (MHFC) issued conduit debt for purposes of low-income housing development in the City of McKinney. Neither the City nor the MHFC has any obligation for such debt beyond the resources provided by a lease or loan with the third party. As of September 30, 2025, the aggregate outstanding conduit debt is $127,759,321.

Right-to-Use Lease Liability

The City has entered into multiple lease agreements as lessee. The leases allow the right-to-use property and vehicles over the term of the lease. The City is required to make monthly payments at its incremental borrowing rate or the interest rate stated or implied within the leases.

The lease rate, term and ending lease liability are as follows:

	Interest Rate	Liability at Commencement	Lease Term in Years	Ending Balance
Governmental activities				
Equipment	4.00%	$ 7,728,043	3.0-5.0	$ 4,731,472
Total governmental activities				$ 4,731,472
Business-type activities				
Vehicles	4.00%	$ 532,172	3.0	$ 250,235
Total business-type activities				$ 250,235
Component units				
Leased office space	4.00%	$ 3,303,480	10.0	$ 2,673,160
Total component units				$ 2,673,160

The future principal and interest lease payments as of fiscal year-end are as follows:

Fiscal Year Ending	Principal	Interest	Total
2026	$ 1,488,954	$ 178,424	$ 1,667,378
2027	1,398,484	118,425	1,516,909
2028	1,455,857	62,026	1,517,883
2029	388,177	5,193	393,370
Total governmental activities	$ 4,731,472	$ 364,068	$ 5,095,540

Fiscal Year Ending	Principal	Interest	Total
2026	$ 77,807	$ 8,593	$ 86,400
2027	80,977	5,423	86,400
2028	84,275	2,124	86,399
2029	7,176	24	7,200
Total business-type activities	$ 250,235	$ 16,164	$ 266,399

Fiscal Year Ending	Principal	Interest	Total
2026	$ 286,074	$ 101,774	$ 387,848
2027	306,050	89,945	395,995
2028	325,287	77,353	402,640
2029	348,656	63,933	412,589
2030	370,768	49,567	420,335
Thereafter	1,036,325	55,492	1,091,817
Total component units	$ 2,673,160	$ 438,064	$ 3,111,224

The value of the right-to-use assets for governmental activities as of the end of the current fiscal year was $6,644,618 and had accumulated amortization of $2,033,606. For business-type activities, the value of the right-to-use assets as of the end of the current fiscal year was $532,173 and had accumulated amortization of $300,520. For component units, the value of the right-to-use assets as of the end of the current fiscal year was $3,303,480 and had accumulated amortization of $826,869.

Subscription Based Information Technology Arrangements (SBITA)

The City has entered into multiple SBITAs that allow the right-to-use the SBITA vendor's information technology software over the subscription term. The City is required to make annual payments at its incremental borrowing rate or the interest rate stated or implied within the SBITAs. The SBITA rate, term and ending subscription liability are as follows:

	Interest Rate(s)	Liability at Commencement	SBITA Term in Years	Ending Balance
Governmental activities				
Software	4.00%	$ 3,991,999	3	$ 2,633,762
Total governmental activities				$ 2,633,762

The future principal and interest SBITA payments as of fiscal year-end are as follows:

Fiscal Year Ending	Principal	Interest	Total
2026	$ 1,358,663	$ 105,350	$ 1,464,013
2027	1,275,099	51,004	1,326,103
Total governmental activities	$ 2,633,762	$ 156,354	$ 2,790,116

The value of the subscription assets as of the end of the current fiscal year was $3,991,999 and had accumulated amortization of $1,472,609.

Restricted Assets

The balances of the restricted asset accounts in the enterprise funds are as follows:

Purpose	Cash and Investments	Accrued Interest Receivable	Total
Water and Wastewater Funds:			
Restricted deposits	$ 6,301,779	$ -	$ 6,301,779
Utility Capital Projects Fund	231,741,463	37,590	231,779,053
Utility Development Impact Fee	4,388,921	-	4,388,921
Revenue Debt Service Fund	13,577,479	-	13,577,479
Revenue Bond Reserve Fund	20,104,279	51,722	20,156,001
Airport Funds:			
Restricted deposits	261,827	-	261,827
Airport Construction Fund	83,624,858	456,592	84,081,450
Golf Course Fund	10,000	-	10,000
	$ 360,010,606	$ 545,904	$ 360,556,510

The ordinance authorizing the water and wastewater system revenue bonds requires that the City establish a fund, Revenue Bond Reserve Fund, to reserve an amount not less than the average annual requirement for the payment principal and interest on all the revenue bonds. At September 30, 2025, net position is sufficient to satisfy such bond ordinance requirements.

The ordinance further requires that the proceeds from the sale of revenue bonds be expended for certain capital improvements to the water and wastewater system. The proceeds are maintained as Restricted Assets – Utility Capital Projects Fund until such time as needed to fund the water and wastewater system construction program.

Note 4. Deferred Compensation Plan

Revenue Code Section 457. One plan is administered by Mission Square Retirement and the other is administered by Nationwide. All assets and income are held in trust for the exclusive benefit of participants and their beneficiaries; therefore it is not reported in the financial statements of the City. Assets and liabilities are not included in the City's basic financial statements.

The plan, available to all full-time City employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

Note 5. Pension Plan

Plan Description

The City and three of its component units participate as one of 938 plans in the defined benefit cash-balance plan administered by the Texas Municipal Retirement System (TMRS). TMRS is a statewide public retirement plan created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for employees of Texas participating cities. The TMRS Act places the general administration and management of TMRS with a six-member, Governor-appointed Board of Trustees; however, TMRS is not fiscally dependent on the State of Texas. TMRS issues a publicly available Annual Comprehensive Financial Report (Annual Report) that can be obtained at *tmrs.com*.

All eligible employees of the City are required to participate in TMRS.

Benefits Provided

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS.

At retirement, the Member's benefit is calculated based on the sum of the Member's contributions, with interest, and the city-financed monetary credits with interest. The retiring Member may select one of seven monthly benefit payment options. Members may also choose to receive a portion of their benefit as a lump sum distribution in an amount equal to 12, 24 or 36 monthly payments, which cannot exceed 75% of the total Member contributions and interest.

A summary of plan provisions for the City are as follows:

Employee Deposit Rate:	7.0%
Matching Ratio (City to employee)	2 to 1
Years required for vesting	5 years
Service retirement eligibility	20 years at any age, 5 years
at age 60 and above	
Updated service credit	100% Repeating, Transfers
Annuity increase to retirees	70% of CPI Repeating

Employees Covered by Benefit Terms:

At the December 31, 2024, valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	511
Inactive employees entitled to but not yet receiving benefits	783
Active employees	1,383
	2,677

Contributions

Member contribution rates in TMRS are either 5%, 6% or 7% of the Member's total compensation, and the City matching percentages are either 100%, 150% or 200%, both as adopted by the governing body of the City. Under the state law governing TMRS, the contribution rate for each City is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The City's contribution rate is based on the liabilities created from the benefit plan options selected by the City and any changes in benefits or actual experience over time.

Employees for the City were required to contribute 7% of their annual compensation during the fiscal year. The contribution rates for the City were 15.89% and 15.48% in calendar years 2025 and 2024, respectively. The City's contributions to TMRS for the year ended September 30, 2025, were $20,646,961, and were equal to the required contributions.

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2024, and the Total Pension Liability (TPL) used to calculate the NPL was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The total pension liability in the December 31, 2024, actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	2.75% per year, adjusted down for population declines, if any
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

Salary increases are based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with 110% of the Public Safety table used for males and 100% of the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by the most recent Scale MP-2021 to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees are used with a 4- year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by the most recent Scale MP2021 to account for future mortality improvements subject to the 3% floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2018 to December 31, 2022. The assumptions were adopted in 2023 and first used in the December 31, 2023, actuarial valuation. The post-retirement mortality assumption for Annuity Purchase Rates (APRs) is based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2025 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Public Equity	35.0%	7.10%
Core Fixed Income	6.0%	5.00%
Non-Core Fixed Income	6.0%	6.80%
Hedge Funds	5.0%	6.40%
Private Equity	13.0%	8.50%
Private Debt	13.0%	8.20%
Real Estate	12.0%	6.70%
Infrastructure	6.0%	6.00%
Other Public and Private Markets	4.0%	7.30%
	100%	

Discount Rate

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that Member and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive Members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

Changes in the Net Pension Liability

	Increase (Decrease) Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances as of December 31, 2023	$ 483,245,881	$ 416,114,610	$ 67,131,271
Changes for the year:			
Service cost	23,032,896	-	23,032,896
Interest on total pension liability	32,924,612	-	32,924,612
Effect of difference in expected and actual experience	4,566,831	-	4,566,831
Change in assumptions	-	-	-
Benefit payments	(13,980,587)	(13,980,587)	-
Administrative expenses	-	(277,290)	277,290
Member contributions	-	8,571,519	(8,571,519)
Net investment income	-	43,369,607	(43,369,607)
Employer contributions	-	18,955,299	(18,955,299)
Other	-	(6,483)	6,483
Balances as of December 31, 2024	$ 529,789,633	$ 472,746,675	$ 57,042,958
City	$ 521,632,128	$ 465,467,496	$ 56,164,632
Component Units	$ 8,157,505	$ 7,279,179	$ 878,326

*For TMRS, the "changes in current period benefits" includes substantively automatic benefit status changes, if applicable.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the Net Pension Liability of the City, calculated using the discount rate of 6.75%, as well as what the City's Net Pension Liability would be if it were calculated using a discount rate that is 1 percentage point lower (5.75%) or 1 percentage point higher (7.75%) than the current rate:

	1% Decrease in Discount Rate (5.75%)	Current Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension liability	$ 137,219,275	$ 56,164,632	$ (9,887,591)
Component unit's net pension liability:			
MEDC	1,205,791	493,537	(86,886)
MCDC	353,624	144,740	(25,481)
MCVB	586,478	240,049	(42,260)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in the Schedule of Changes in Fiduciary Net Position, by Participating City. That report may be obtained at trms.com.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2025, the City and its component units recognized pension expense of $22,513,028 and $352,068, respectively.

At September 30, 2025, the City and its component units reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Primary Government		MEDC	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 10,470,859	$ -	$ 92,011	$ -
Changes in assumptions	78,960	(211,301)	694	(1,857)
Differences between projected and actual investment earnings	-	(5,514,728)	-	(48,460)
Contributions subsequent to the measurement date	15,629,383	-	137,341	-
Total	$ 26,179,202	$ (5,726,029)	$ 230,046	$ (50,317)

	MCDC		MCVB	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 26,984	$ -	$ 44,753	$ -
Changes in assumptions	203	(545)	337	(903)
Differences between projected and actual investment earnings	-	(14,212)	-	(23,570)
Contributions subsequent to the measurement date	40,278	-	66,800	-
Total	$ 67,465	$ (14,757)	$ 111,890	$ (24,473)

$15,629,383 and $244,419 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date for the City and its component units, respectively, will be recognized as a reduction of the Net Pension Liability for the year ending September 30, 2026.

Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended September 30	Primary Government	MEDC	MCDC	MCVB
2026	$ 3,555,060	$ 31,239	$ 9,162	$ 15,194
2027	7,054,702	61,992	18,180	30,152
2028	(4,245,595)	(37,307)	(10,941)	(18,146)
2029	(1,746,321)	(15,345)	(4,500)	(7,464)
2030	205,944	1,809	529	881
Thereafter	-	-	-	-
Total	$ 4,823,790	$ 42,388	$ 12,430	$ 20,617

Note 6. Postemployment Benefits Other Than Pensions

Retiree Health Care Plan

Plan Description
The City provides postemployment medical and dental benefits (OPEB) for eligible retirees, their spouses and dependents through a single-employer defined benefit plan, which covers both active and retired members.

All medical care benefits are provided through the City's self-insured health plan. The three optional benefit levels, CityCare PPO, CityCare Plus PPO, and City HSA, are the same for retirees as those afforded to active employees.

Benefits Provided
To be eligible for coverage a retiree must qualify under all three of the following:

1. Has been covered as an employee for medical benefits under the City of McKinney Employee Healthcare Plan immediately prior to retirement; and
2. Applies for pension benefits from TMRS in accordance with their requirements and deadlines, but in no event later than the effective date of retirement; and
3. Enrolls for Retiree health coverage no later than the effective date of retirement.

Retirees who elect COBRA cannot later elect retiree coverage. Retirees are not allowed to add additional dependents upon retirement. Retirees or dependents who are Medicare eligible may not remain on the Plan; however, retirees may elect to purchase a Medicare supplement offered by the City.

As of December 31, 2024, the following employees were covered by the benefit terms:

Retirees and beneficiaries receiving benefits	14
Terminated employees eligible for benefits, but not yet enrolled	-
Active employees	1,318
Total	1,332

Accounting Policy
An irrevocable trust has not been established that meets the criteria in paragraph 4 of GASB Statement No. 75. Therefore, the plan is not accounted for as a trust fund. The plan does not issue a separate financial report.

Funding Policies
The benefit levels and contribution rates are approved annually by the City management and the City Council as part of the budget process. By the City not contributing anything toward this plan in advance, the City employs a pay-as-you-go method through ensuring the annual retiree contributions are equal to the benefits that are paid on behalf of the retirees. OPEB expense as actuarially determined for the City and its component units was $692,400 and $10,829 respectively.

The monthly Retiree health coverage contribution rates for offered benefit levels are as follows:

CITYCARE PPO		CITYCARE PLUS PPO	
Single Coverage	$ 858	Single Coverage	$ 947
Single + Spouse	1,781	Single + Spouse	2,095
Single + Children	1,574	Single + Children	1,837
Single + Family	2,344	Single + Family	2,737

Actuarial Methods and Assumptions
Significant methods and assumptions used in the December 31, 2024, actuarial valuation are as follows:

Actuarial Cost Method	Individual Entry-Age
Discount Rate	4.08% as of December 31, 2024
Inflation	2.50%
Salary Increases	3.60% to 11.85%, including inflation
Demographic Assumption	Based on the 2023 experience study conducted for the Texas Municipal Retirement System (TMRS)
Mortality	For healthy retirees, the gender-distinct 2019 Municipal Retirees of Texas mortality tables are used. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis using the ultimate mortality improvement rates in the MP tables published through 2021 to account for future mortality improvements.
Health Care Trend Rates	Initial rate of 7.50% declining to an ultimate rate of 4.25% after 15 years.
Participation Rates	0% for employees retiring before the age of 50; 15% for employees retiring between the ages of 50 and 55; 35% for employees retiring at the age of 55 or older, or through disability retirement at any age
Other Information	The discount rate changed from 3.77% as of December 31, 2023 to 4.08% as of December 31, 2024. Additionally, the participation and the health care trend assumptions were updated to reflect the plan's anticipated experience.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status and contributions of the City's retiree health care plan are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

Total OPEB Liability

The total OPEB liability of $13,556,931 (City) and $212,009 (Component Units) was measured as of December 31, 2024, and was determined by an actuarial valuation as of December 31, 2024.

The total OPEB liability and related information are as follows for the City and its component units at September 30, 2025:

Balance as of December 31, 2023	$	17,378,427
Changes for the year:		
Service cost		1,580,475
Interest on total OPEB liability		684,193
Difference between expected and actual experience of the total OPEB liability		(2,176,762)
Change of assumptions		(3,656,770)
Benefit payments		(40,623)
Balance as of December 31, 2024	$	13,768,940
City	$	13,556,931
Component Units	$	212,009

Although not considered contributions under GASB 75, the City has assigned $15,570,470 of fund balance in the General Fund for funding of the total OPEB liability.

OPEB Expense and Deferred Outflows of Resources Related to OPEBs

For the year ended September 30, 2025, the City and its component units recognized OPEB expense of $703,228. At September 30, 2025, the City and its component units reported deferred outflows of resources related to OPEBs from the following sources:

	Primary Government		MEDC	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 99,470	$ (7,217,912)	$ 874	$ (63,426)
Changes in assumptions	1,857,382	(7,388,462)	16,321	(64,925)
Contributions subsequent to the measurement date	3,311	-	29	-
Total	$ 1,960,163	$ (14,606,374)	$ 17,224	$ (128,351)

	MCDC		MCVB	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 257	$ (18,601)	$ 425	$ (30,850)
Changes in assumptions	4,787	(19,041)	7,938	(31,577)
Contributions subsequent to the measurement date	9	-	14	-
Total	$ 5,053	$ (37,642)	$ 8,377	$ (62,427)

Deferred outflows of resources related to OPEBs resulting from benefit payments subsequent to the measurement date of $3,311 and $52 will be recognized as a reduction of the total OPEB liability of the City and its component units, respectively, for the year ending September 30, 2026.

Other amounts reported as deferred outflows related to OPEBs will be recognized in OPEB expense as follows:

Year Ended September 30	Primary Government	MEDC	MCDC	MCVB
2026	$ (1,537,386)	$ (13,510)	$ (3,962)	$ (6,571)
2027	(1,537,386)	(13,510)	(3,962)	(6,571)
2028	(1,556,521)	(13,678)	(4,011)	(6,653)
2029	(1,631,789)	(14,339)	(4,205)	(6,974)
2030	(1,729,866)	(15,201)	(4,458)	(7,393)
Thereafter	(4,656,574)	(40,918)	(12,000)	(19,902)
Total	$ (12,649,522)	$ (111,156)	$ (32,598)	$ (54,064)

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate
The following presents the total OPEB liability of the City and its component units, calculated using the discount rate of 4.08%, as well as what the City and its component unit's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.08%) or 1-percentage-point higher (5.08%) than the current discount rate:

	1% Decrease in Discount Rate (3.08%)	Current Discount Rate (4.08%)	1% Increase in Discount Rate (5.08%)
City's total OPEB liability	$ 14,946,941	$ 13,556,931	$ 12,305,368
Component unit's total OPEB liability:			
MEDC	131,344	119,129	108,131
MCDC	38,519	34,937	31,712
MCVB	63,884	57,943	52,593

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates
The following presents the total OPEB liability of the City and its component units, as well as what the City and its component unit's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Current Healthcare Cost Trend Rates Assumption	1% Increase
City's total OPEB liability	$ 11,920,166	$ 13,556,931	$ 15,498,140
Component unit's total OPEB liability:			
MEDC	104,746	119,129	136,187
MCDC	30,719	34,937	39,940
MCVB	50,947	57,943	66,239

Supplemental Death Benefit Plan

Plan Description
The City contributes to a single-employer defined benefit OPEB plan, the group-term life insurance plan known as the SDBF. This is a voluntary program administered by the Texas Municipal Retirement System (TMRS) in which the City elected, by ordinance, to provide group term life insurance coverage to active and retired members. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

Benefits Provided
The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death). The death benefit for retirees is considered another postemployment benefit (OPEB) and is a fixed amount of $7,500. As the SDBF covers both active and retiree participants, with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan (i.e. no assets are accumulated).

The member city contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year. The intent is not to pre-fund retiree term life insurance during employees' entire careers.

As of December 31, 2024, the following employees were covered by the benefit terms:

Retirees and beneficiaries receiving benefits	350
Terminated employees eligible for benefits, but not yet enrolled	173
Active employees	1,383
Total	1,906

Accounting Policy
An irrevocable trust has not been established that meets the criteria in paragraph 4 of GASB Statement No. 75. Therefore, the plan is not accounted for as a trust fund. The plan does not issue a separate financial report.

Actuarial Methods and Assumptions
Significant methods and assumptions used in the December 31, 2024, actuarial valuation are as follows:

Inflation	2.50%
Salary Increases	3.60% to 11.85%, including inflation
Discount Rate	4.08% as of December 31, 2024 Source: Fidelity Index's "20-Year Municipal GO AA Index"
Retirees' share of benefit related costs	$0
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality rates – service retirees	2019 Municipal Retirees of Texas Mortality Tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence).
Mortality rates – disabled retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence) to account for future mortality improvements subject to the floor.

Note: The actuarial assumptions used in the December 31, 2024 valuation were based on the results of an actuarial experience study for the period ending December 31, 2022.

Total OPEB Liability
The City's total OPEB liability of $2,376,923 was measured as of December 31, 2024 and was determined by an actuarial valuation as of that date.

The total OPEB liability and related information are as follows for the City at September 30, 2025:

Balance as of December 31, 2023	$ 2,351,896
Changes for the year:	
Service cost	146,940
Interest on total OPEB liability	90,513
Difference between expected and actual experience of the total OPEB liability	(19,584)
Change of assumptions	(143,862)
Benefit payments	(48,980)
Balance as of December 31, 2024	$ 2,376,923

OPEB Expense and Deferred and Outflows and Inflows of Resources Related to OPEB
For the year ended September 30, 2025, the City recognized OPEB expense of $147,376.

At September 30, 2025, the City reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 47,674	$ (246,659)
Changes in assumptions	425,763	(917,006)
Contributions subsequent to the measurement date	169,827	-
Total	$ 643,264	$ (1,163,665)

Benefit payments subsequent to the measurement date and before fiscal year-end of $169,827 will be recognized as a reduction of the total OPEB liability in the year ending September 30, 2026.

Other amounts reported as deferred outflows related to OPEBs will be recognized in OPEB expense as follows:

Year Ended September 30	
2026	$ (103,442)
2027	(122,379)
2028	(127,433)
2029	(162,430)
2030	(152,521)
Thereafter	(22,079)
Total	$ (690,284)

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate
The following presents the total OPEB liability of the City, calculated using the discount rate of 4.08%, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.08%) or 1-percentage-point higher (5.08%) than the current discount rate:

	1% Decrease in Discount Rate (3.08%)	Current Discount Rate (4.08%)	1% Increase in Discount Rate (5.08%)
Total OPEB liability	$ 2,885,066	$ 2,376,923	$ 1,982,366

Note 7. Disclosures about Fair Value of Assets

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

Level 1	Quoted prices in active markets for identical assets or liabilities
Level 2	Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities
Level 3	Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities

Investment in State Investment Pools

During the year, the City invested in multiple public fund investment pools, including TexPool, LOGIC, TexasDAILY and Texas CLASS. Investments in the pools are not categorized in accordance with GASB Statement No. 3 disclosure requirements since the City has not been issued certificates, but rather it owns an individual beneficial interest in the net position of the related investment pools. The fair value of the position of the pools for LOGIC, TexasDAILY and Texas CLASS are measured at net asset value and is designed to approximate the share value. The fair value of the position of in TexPool is measured at amortized cost as the pool meets requirements of GASB No. 79. Each pool's governing body is comprised of individuals who are employees, officers, or elected officials of participants in the funds or who do not have a business relationship with the fund and are qualified to advise. Investment objective and strategies of the pools are to seek preservation of principal, liquidity and current income through investment in a diversified portfolio of short-term marketable securities. Pools offer same day access to investment funds and do not have any limitations or restrictions on withdrawals.

Recurring Measurements

The following table presents the fair value measurements of assets recognized in the accompanying financial statements measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at September 30, 2025:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
PRIMARY GOVERNMENT				
Investments by Fair Value Level				
Federal agency securities	$ 291,356,744	$ -	$ 291,356,744	$ -
Total Investments by Fair Value Level	$ 291,356,744	$ -	$ 291,356,744	$ -
Investments Measured at Net Asset Value				
LOGIC	$ 168,911,184			
TexasDAILY	99,251,837			
TexasCLASS	207,013,001			
Investments Measured at Amortized Cost				
TexPool/TexPool Prime	256,745,892			
Total Investments	$ 1,023,278,658			
MEDC				
Investments by Fair Value Level				
Federal agency securities	$ -	$ -	$ -	$ -
Total Investments by Fair Value Level	$ -	$ -	$ -	$ -
Investments Measured at Net Asset Value				
LOGIC	$ 15,145,256			
TexasDAILY	-			
TexasCLASS	12,561,539			
Investments Measured at Amortized Cost				
TexPool Prime	14,488,770			
Total Investments	$ 42,195,565			
MCDC				
Investments by Fair Value Level				
Federal agency securities	$ 19,638,100	$ -	$ 19,638,100	$ -
Total Investments by Fair Value Level	$ 19,638,100	$ -	$ 19,638,100	$ -
Investments Measured at Net Asset Value				
LOGIC	$ 47,635,364			
TexasDAILY	3,248,747			
TexasCLASS	10,605,071			
Investments Measured at Amortized Cost				
TexPool Prime	10,159,483			
Total Investments	$ 91,286,765			

Certain investments that are measured using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts included in the fair value measurement table approximate net asset value for all related external investment pool balances.

Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy. At September 30, 2025, no investments held by the City met the Level 3 hierarchy classification.

Note 8. Water Purchase, Wastewater and Solid Waste Disposal Contracts

The City has a contract with the North Texas Municipal Water District (NTMWD) to purchase substantially all of its water. Under the contract, the City pays NTMWD a rate based on water usage. The rates charged are subject to minimum annual contract payments. Contract payments for water for the year ended September 30, 2025, were $49,183,508.

The City has a contract with NTMWD whereby NTMWD agreed to provide a wastewater treatment and disposal system for the benefit of the City and any "additional member city," as defined. Each member city pays an "annual payment," as defined, as its share of operating expenses and debt service of NTMWD. The City's annual payment for the year ended September 30, 2025, was $38,025,003.

The City has a contract with NTMWD whereby NTMWD agreed to dispose of solid waste for the City and any "additional member city," as defined. Each member city pays an "annual payment," as defined, as its share of operating expenses and debt service of NTMWD. The City's annual payment for the year ended September 30, 2025, was $6,751,096.

Note 9. Litigation

The City is party to several legal actions arising in the ordinary course of business. In the opinion of the City's management, the City has adequate legal defense and/or insurance coverage regarding each of these actions and does not believe that they will materially affect the City's operations or financial position.

Note 10. Contingent Liabilities

The City participates in a number of Federal and State funded grant programs. These programs are subject to program compliance audits and adjustments by the grantor agencies or their representatives. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. Any liability for reimbursement, which may arise as the result of these audits is not believed to be material.

NTMWD has issued revenue bonds for systems that service participating cities. Member cities including McKinney have guaranteed to pay their share of debt service, and certain related administrative costs. NTMWD allocates these costs annually based on each city's pro-rata usage of the respective systems.

Outstanding principal balances as of September 30, 2025, are as follows:

	NTMWD Debt Service*	McKinney's Allocated Share
Water System	$ 3,309,430,000	$ 415,470,314
Wastewater System	1,290,345,000	260,498,663
Solid Waste System	65,695,000	15,518,946
Total	$ 4,665,470,000	$ 691,487,923

*Only represents NTMWD debt service related to systems servicing McKinney. It may not reflect NTMWD's total debt service.

Note 11. Insurance and Risk Management

The City's Insurance and Risk Management Internal Service Fund accounts for health care claims, workers' compensation claims, property, and general liability claims.

The City provides health care benefits to City employees under a partially self-insured plan (Plan). Under the Plan, the city and the employees pay a predetermined monthly premium, which is based on the projected claims cost for the Plan, and the extent of medical coverage selected by the employee. The monthly premiums are deposited into the Insurance and Risk Fund and are used to pay claims as they are submitted. The City's liability is limited by an excess (stop loss) insurance policy covering individual claims in excess of $200,000. The City utilizes Cigna as a third-party administrator to adjudicate and pay medical claims on behalf of the City. Throughout the policy year, the "stop loss" insurance carrier reimburses the City of claims paid during the policy year which exceeded the "stop loss" deductible amount.

For the year ended September 30, 2025, the City and the City's employees' contributions paid under the Plan were $21,046,880 and $3,441,100 respectively.

The City participates in the Texas Municipal League Intergovernmental Risk Pool (TMLIRP) for workers' compensation claims, liability (general, automobile, law enforcement and errors/omissions), and property insurance. The Insurance and Risk Management internal service fund allocates costs to each department in order to pay deductibles and workers' compensation premium costs (TMLIRP contributions). This cost is based on the pool's claims cost, which is adjusted to reflect the City's individual claims experience.

The City has a workers' compensation deductible of $25,000 per accident, with an annual aggregate retention of $757,620. During 2025, the City Contributed $1,806,032 for workers' compensation coverage.

The City maintains deductibles of $100,000 per occurrence for Error and Omissions, $50,000 per occurrence for Auto Liability, $50,000 per occurrence for Law Enforcement Liability and up to $25,000 per occurrence for all other liability coverages. All insured claims are paid by TMLIRP, with the City reimbursing TMLIRP for the deductible. All insured claims are paid by TMLIRP, with the City reimbursing TMLIRP for the deductible. The City also carries a liability policy for the Airport with a $10,000 deductible. During 2025, the City contributed $3,509,493 for property, general liability and all other coverage premiums.

The liabilities for insurance claims reported are based on GASB No. 10, Accounting and Financial Reporting for Risk financing and Related Insurance Issues, amended by GASB No. 66, Technical Corrections, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. These liabilities include an estimate for incurred but not reported claims and are included in accounts payable.

The changes in the Insurance and Risk Management liability amount in fiscal 2025 and 2024 were:

	Liability Beginning of Year	Current Year Claims and Changes in Estimates	Claim Payments and Changes in Estimates	Liability End of Year
2025:				
Health Claims	$ 755,708	$ 23,915,645	$ (23,978,656)	$ 692,697
Workers' Comp	483,323	1,336,943	(1,222,753)	597,513
Totals	$ 1,239,031	$ 25,252,588	$ (25,201,409)	$ 1,290,210
2024:				
Health Claims	$ 768,780	$ 21,860,834	$ (21,873,906)	$ 755,708
Workers' Comp	108,527	1,193,173	(818,377)	483,323
Totals	$ 877,307	$ 23,054,007	$ (22,692,283)	$ 1,239,031

There were no significant reductions in insurance coverage from the prior year. There have been no claim settlements in excess of insurance coverage in the last three years.

Note 12. Tax Abatements and Grants

The City offers property and sales tax abatement/grant agreements with local businesses under Chapter 312 and Chapter 380 of the Texas Local Government Code. Under these Codes, the City may award tax abatements/grants of up to 100 percent of a business's property and sales taxes for the purpose of attracting or retaining businesses within their jurisdiction. The abatements/grants may be awarded to any business located within or promising to relocate to the City of McKinney.

For the fiscal year ended September 30, 2025, the City paid $2,898,053 in economic development grants under Chapter 380. This amount is reported in aggregate due to sales tax confidentiality requirements under Texas Tax Code. No tax abatements were made under Chapter 312.

Note 13. Subsequent Events

The City has evaluated all events or transactions that occurred after September 30, 2025, and through February 24, 2026, the date the financial statements were issued.

After fiscal year-end, the McKinney Economic Development Corporation (MEDC) entered into an agreement to sell land for a total purchase price of $22,963,000 as part of an incentive package. The consideration includes $8,675,000 in cash, with the remainder provided as a loan that may be forgiven if the buyer meets specified agreement milestones.

Required Supplementary Information

City of McKinney, Texas

Required Supplementary Information
Texas Municipal Retirement System
Schedule of Changes in Net Pension Liability and Related Ratios
Last Ten Fiscal Years
(Unaudited)

	Measurement Year 2015	Measurement Year 2016	Measurement Year 2017	Measurement Year 2018
Total Pension Liability				
Service cost	$ 11,440,134	$ 11,777,430	$ 13,043,869	$ 14,350,469
Interest	14,599,379	15,547,224	17,075,327	18,774,911
Difference between expected and actual experience	1,730,171	1,237,911	1,529,198	(714,145)
Change in assumptions	(4,050)	-	-	-
Benefit payments, including refunds of employee contributions	(6,049,662)	(6,285,532)	(6,828,906)	(7,416,454)
Net Change in Total Pension Liability	21,715,972	22,277,033	24,819,488	24,994,781
Total Pension Liability - Beginning	205,867,325	227,583,297	249,860,330	274,679,818
Total Pension Liability - Ending (a)	227,583,297	249,860,330	274,679,818	299,674,599
Plan Fiduciary Net Position				
Contributions - employer	9,752,849	9,615,410	10,718,106	11,908,337
Contributions - employee	4,348,528	4,433,984	4,903,710	5,426,974
Net investment income (loss)	258,721	12,404,196	28,219,049	(7,206,568)
Benefit payments, including refunds of employee contributions	(6,049,662)	(6,285,532)	(6,828,906)	(7,416,454)
Administrative expense	(157,574)	(140,032)	(146,159)	(139,143)
Other	(7,782)	(7,545)	(7,407)	(7,270)
Net Change in Plan Fiduciary Net Position	8,145,080	20,020,481	36,858,393	2,565,876
Plan Fiduciary Net Position - Beginning	175,322,536	183,467,616	203,488,097	240,346,490
Plan Fiduciary Net Position - Ending (b)	183,467,616	203,488,097	240,346,490	242,912,366
City's Net Pension Liability - Ending (a) - (b)	$ 44,115,681	$ 46,372,233	$ 34,333,328	$ 56,762,233
Plan fiduciary net position as a percentage of total pension liability	80.62%	81.44%	87.50%	81.06%
Covered payroll	$ 61,939,002	$ 63,285,492	$ 70,053,001	$ 77,528,194
City's net pension liability as a percentage of covered payroll	71.22%	73.27%	49.01%	73.21%

The information in this schedule has been determined as of the measurement date (December 31) of the City's net pension liability.

Measurement Year 2019	Measurement Year 2020	Measurement Year 2021	Measurement Year 2022	Measurement Year 2023	Measurement Year 2024
$ 15,704,599	$ 16,656,052	$ 17,714,277	$ 19,102,909	$ 20,981,998	$ 23,032,896
20,486,802	22,594,939	24,867,759	27,329,045	30,060,630	32,924,612
1,546,692	2,843,789	3,790,250	5,059,425	3,906,542	4,566,831
1,126,181	-	-	-	(332,199)	-
(8,037,441)	(8,179,253)	(9,725,714)	(11,480,499)	(12,445,501)	(13,980,587)
30,826,833	33,915,527	36,646,572	40,010,880	42,171,470	46,543,752
299,674,599	330,501,432	364,416,959	401,063,531	441,074,411	483,245,881
330,501,432	364,416,959	401,063,531	441,074,411	483,245,881	529,789,633
12,785,966	13,429,396	14,320,460	15,543,097	17,156,776	18,955,299
5,939,071	6,309,111	6,714,214	7,250,488	7,952,030	8,571,519
37,605,557	22,121,978	42,386,014	(27,657,786)	41,997,798	43,369,607
(8,037,441)	(8,179,253)	(9,725,714)	(11,480,499)	(12,445,501)	(13,980,587)
(212,196)	(142,924)	(195,747)	(238,783)	(266,337)	(277,290)
(6,374)	(5,577)	1,343	284,938	(1,861)	(6,483)
48,074,583	33,532,731	53,500,570	(16,298,545)	54,392,905	56,632,065
242,912,366	290,986,949	324,519,680	378,020,250	361,721,705	416,114,610
290,986,949	324,519,680	378,020,250	361,721,705	416,114,610	472,746,675
$ 39,514,483	$ 39,897,279	$ 23,043,281	$ 79,352,706	$ 67,131,271	$ 57,042,958
88.04%	89.05%	94.25%	82.01%	86.11%	89.23%
$ 84,843,863	$ 90,130,150	$ 95,856,479	$ 103,482,712	$ 113,600,423	$ 122,450,272
46.57%	44.27%	24.04%	76.68%	59.09%	46.58%

City of McKinney, Texas

Required Supplementary Information
Texas Municipal Retirement System
Schedule of Contributions
Last Ten Fiscal Years
(Unaudited)

	Fiscal Year 2016	Fiscal Year 2017	Fiscal Year 2018	Fiscal Year 2019
Actuarially determined contribution	$ 9,521,438	$ 10,387,413	$ 11,618,161	$ 12,527,597
Contribution in relation of the actuarially determined contribution	9,521,438	10,387,413	11,618,161	12,527,597
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -
Covered payroll	$ 62,005,210	$ 68,046,988	$ 75,718,876	$ 82,701,398
Contributions as a percentage of covered payroll	15.36%	15.27%	15.34%	15.15%

Notes to Schedule:

Valuation Date:

Actuarial determined contribution rates are calculated as of December 31st each year and become effective in January, 13 months later.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	22 years (longest amortization ladder)
Asset Valuation Method	10 Year smoothed market; 12% soft corridor
Inflation	2.50%
Salary Increases	3.60% to 11.85% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that vary by age. Last updated for the 2023 valuation pursuant to an experience study of the period ending 2022.
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence). Pre-retirement: PUB(10) mortality tables, with the 110% of the Public Safety table used for males and the 100% of the General Employee table used for females. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence).

Other Information: There were no benefit changes during the year.

The information in this schedule has been determined as of the City's most recent fiscal year-end.

Fiscal Year 2020	Fiscal Year 2021	Fiscal Year 2022	Fiscal Year 2023	Fiscal Year 2024	Fiscal Year 2025
$ 13,332,675	$ 14,075,241	$ 15,799,958	$ 16,779,578	$ 18,344,762	$ 20,646,961
13,332,675	14,075,241	15,799,958	16,779,578	18,344,762	20,646,961
$ -	$ -	$ -	$ -	$ -	$ -
$ 89,202,852	$ 94,326,249	$ 105,355,485	$ 111,867,406	$ 119,107,665	$ 130,732,422
14.95%	14.92%	15.00%	15.00%	15.40%	15.79%

City of McKinney, Texas

Required Supplementary Information
Schedule of Changes in the City's Total OPEB Liability and Related Ratios
Retiree Health Care Plan
Last Eight Fiscal Years
(Unaudited)

	Measurement Year 2017	Measurement Year 2018	Measurement Year 2019	Measurement Year 2020
Total OPEB Liability				
Service cost	$ 918,051	$ 1,249,905	$ 1,207,676	$ 1,578,300
Interest	564,874	561,769	704,301	621,546
Difference between expected and actual experience	3,299	300,000	(162,427)	(3,473,801)
Change in assumptions	797,890	156,041	1,823,548	1,627,140
Benefit payments, including refunds of employee contributions	(294,321)	(314,218)	(155,032)	(126,165)
Net Change in Total OPEB Liability	1,989,793	1,953,497	3,418,066	227,020
Total OPEB Liability - Beginning	14,514,234	16,504,027	18,457,524	21,875,590
Total OPEB Liability - Ending (a)	$ 16,504,027	$ 18,457,524	$ 21,875,590	$ 22,102,610
Covered-employee payroll	$ 70,052,975	$ 77,528,194	$ 84,843,863	$ 90,130,150
Total OPEB liability as a percentage of covered-employee payroll	23.56%	23.81%	25.78%	24.52%

The information in this schedule has been determined as of the measurement date (December 31) of the City's total OPEB liability and is intended to show information for 10 years. However, until a full 10-year trend is compiled in accordance with the provision of GASB 75, only periods for which such information is available are presented.

There are no assets accumulated in a trust that meets the criteria of GASB codification P22.101 or P52.1010 to pay related benefits for the OPEB plan.

Measurement Year 2021	Measurement Year 2022	Measurement Year 2023	Measurement Year 2024
$ 1,580,655	$ 2,208,833	$ 1,468,587	$ 1,580,475
456,490	405,843	687,386	684,193
(160,003)	(4,506,657)	(235,787)	(2,176,762)
(2,763,042)	(2,673,563)	(758,971)	(3,656,770)
(136,919)	(255,071)	(41,964)	(40,623)
(1,022,819)	(4,820,615)	1,119,251	(3,609,487)
22,102,610	21,079,791	16,259,176	17,378,427
$ 21,079,791	$ 16,259,176	$ 17,378,427	$ 13,768,940
$ 95,856,479	$ 103,482,712	$ 113,600,423	$ 122,450,272
21.99%	15.71%	15.30%	11.24%

City of McKinney, Texas

Required Supplementary Information
Schedule of Changes in the City's Total OPEB Liability and Related Ratios
Supplemental Death Benefit Fund
Last Eight Fiscal Years
(Unaudited)

	Measurement Year 2017	Measurement Year 2018	Measurement Year 2019	Measurement Year 2020
Total OPEB Liability				
Service cost	$ 112,085	$ 139,551	$ 127,264	$ 171,248
Interest	54,057	58,290	77,959	63,577
Difference between expected and actual experience	-	304,379	(414,160)	(64,601)
Change in assumptions	158,454	(147,679)	406,260	421,861
Benefit payments, including refunds of employee contributions	(7,005)	(7,751)	(8,484)	(9,014)
Net Change in Total OPEB Liability	317,591	346,790	188,839	583,071
Total OPEB Liability - Beginning	1,377,543	1,695,134	2,041,924	2,230,763
Total OPEB Liability - Ending (a)	$ 1,695,134	$ 2,041,924	$ 2,230,763	$ 2,813,834
Covered-employee payroll	$ 70,053,001	$ 77,528,194	$ 84,843,863	$ 90,130,150
Total OPEB liability as a percentage of covered-employee payroll	2.42%	2.63%	2.63%	3.12%

The information in this schedule has been determined as of the measurement date (December 31) of the City's total OPEB liability and is intended to show information for 10 years. However, until a full 10-year trend is compiled in accordance with the provision of GASB 75, only periods for which such information is available are presented.

There are no assets accumulated in a trust that meets the criteria of GASB codification P22.101 or P52.1010 to pay related benefits for the OPEB plan.

Measurement Year 2021	Measurement Year 2022	Measurement Year 2023	Measurement Year 2024
$ 230,056	$ 248,359	$ 124,960	$ 146,940
58,290	59,620	86,879	90,513
(51,571)	(57,515)	(35,618)	(19,584)
109,775	(1,245,660)	115,729	(143,862)
(28,757)	(31,045)	(45,440)	(48,980)
317,793	(1,026,241)	246,510	25,027
2,813,834	3,131,627	2,105,386	2,351,896
$ 3,131,627	$ 2,105,386	$ 2,351,896	$ 2,376,923
$ 95,856,479	$ 103,482,712	$ 113,600,423	$ 122,450,272
3.27%	2.03%	2.07%	1.94%

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Combining and Individual Fund Financial Statements and Schedules

City of McKinney, Texas
Budgetary Comparison Schedule (GAAP Basis)
Debt Service Fund
For the Year Ended September 30, 2025

	Budgeted Amounts			Variance with Final Budget -
	Original	Final	Actual	(Negative)
REVENUES				
Property taxes	$ 54,504,238	$ 54,254,238	$ 55,558,647	$ 1,304,409
Investment income	2,002,000	1,318,519	1,532,174	213,655
Total revenues	56,506,238	55,572,757	57,090,821	1,518,064
EXPENDITURES				
Principal retirement	37,530,000	38,025,000	38,025,000	-
Interest and fiscal charges	20,179,265	20,640,707	20,456,993	183,714
Total expenditures	57,709,265	58,665,707	58,481,993	183,714
Excess (deficiency) of revenues over (under) expenditures	(1,203,027)	(3,092,950)	(1,391,172)	1,701,778
OTHER FINANCING SOURCES (USES)				
Issuance of refunding debt	-	-	26,478,938	26,478,938
Deposit to bond refunding escrow account	-	-	(28,757,469)	(28,757,469)
Premium on issuance of debt	-	-	2,334,892	2,334,892
Transfers in	1,349,973	1,349,973	1,349,973	-
Total other financing sources (uses)	1,349,973	1,349,973	1,406,334	56,361
Net changes in fund balances	146,946	(1,742,977)	15,162	1,758,139
Fund balances, beginning of year	9,554,238	9,554,238	9,554,238	-
FUND BALANCES, END OF YEAR	$ 9,701,184	$ 7,811,261	$ 9,569,400	$ 1,758,139

City of McKinney, Texas
Budgetary Comparison Schedule (GAAP Basis)
Capital Projects Fund
For the Year Ended September 30, 2025

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Intergovernmental	$ -	$ 13,088,980	$ 7,370,115	$ (5,718,865)
Investment income	11,836,000	13,564,669	15,676,093	2,111,424
Contributions	20,250,000	34,849,314	16,551,838	(18,297,476)
Total revenues	32,086,000	61,502,963	39,598,046	(21,904,917)
EXPENDITURES				
General government	8,097,758	56,034,941	18,337,675	37,697,266
Fire	19,075,000	54,871,699	28,616,957	26,254,742
Libraries	-	21,443,585	1,161,674	20,281,911
Parks and recreation	15,286,570	116,289,651	23,635,853	92,653,798
Public works	24,703,016	187,199,369	28,135,055	159,064,314
Interest and fiscal charges	301,516	115,517	239,949	(124,432)
Total expenditures	67,463,860	435,954,762	100,127,163	335,827,599
Excess/(deficiency) of revenues over (under) expenditures	(35,377,860)	(374,451,799)	(60,529,117)	313,922,682
OTHER FINANCING SOURCES (USES)				
Issuance of long-term debt	50,650,000	63,635,013	63,635,013	-
Premium on issuance of debt	-	3,577,280	3,577,280	-
Transfers in	6,160,000	11,410,000	11,410,000	-
Transfers out	-	-	-	-
Total other financing sources (uses)	56,810,000	78,622,293	78,622,293	-
Net changes in fund balances	21,432,140	(295,829,506)	18,093,176	313,922,682
Fund balances, beginning of year	353,667,963	353,667,963	353,667,963	-
FUND BALANCES, END OF YEAR	$ 375,100,103	$ 57,838,457	$ 371,761,139	$ 313,922,682

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Nonmajor Governmental Funds

Special Revenue Funds

Hotel/Motel Fund - to account for a 7% hotel/motel tax imposed on lodging fees for the purpose of funding activities and programs that are allowed by the hotel/motel tax to promote tourism.

Law Enforcement Fund - to account for donations and funds derived from police investigation of criminal activities.

Donations Fund - to account for funds provided by private donors and other governmental agencies for the specific purpose(s) designated by the donor.

Community Housing Fund - to account for grants and funding received for affordable housing programs.

Urban Transit District Fund - to account for joint use transit operations of four member cities including joint cost arrangement and administration and use of grant funding.

Grants Fund - to account for local, state, federal, and private grants received for governmental operations and projects.

Tax Increment Reinvestment Zone 1 (TIRZ 1) - to account for property and sales taxes collected in the TIRZ 1 zone for the purpose of funding infrastructure and projects in the Historic Town Center.

Tax Increment Reinvestment Zone 2 (TIRZ 2) - to account for property and sales taxes collected in the TIRZ 2 zone for the purpose of funding infrastructure in and around the Airport.

PEG Cable Channel Fund - to account for fees received from cable operators within the City for the purpose of funding expenditures relating to the PEG (Public, Educational, and Governmental) Cable Channel.

City of McKinney, Texas
Combining Balance Sheet
Nonmajor Governmental Funds
September 30, 2025

	Special Revenue Funds			
	Hotel/Motel	Law Enforcement	Donations	Community Housing
ASSETS				
Cash and cash equivalents	$ 8,837,808	$ 1,369,479	$ 59,677	$ 200,086
Receivables:				
Accounts	9,020	-	-	85,197
Other taxes	283,008	-	-	-
Notes	-	-	-	1,500,000
Due from other governments	-	-	-	365,539
Prepaid items	-	-	-	21,819
TOTAL ASSETS	$ 9,129,836	$ 1,369,479	$ 59,677	$ 2,172,641
LIABILITIES				
Accounts payable	$ -	$ -	$ -	$ 72,892
Other accrued liabilities	-	74,564	-	11,209
Due to other funds	-	-	-	38,482
Unearned revenue	9,020	-	-	312,289
Total liabilities	9,020	74,564	-	434,872
FUND BALANCES				
Nonspendable				
Prepaid items	-	-	-	21,819
Restricted				
Capital projects	-	-	-	-
Law enforcement	-	1,294,915	-	-
Fire	-	-	59,677	-
PEG	-	-	-	-
Community housing	-	-	-	1,715,950
Hotel/Motel	9,120,816	-	-	-
Transit	-	-	-	-
Grants	-	-	-	-
Total fund balances	9,120,816	1,294,915	59,677	1,737,769
TOTAL LIABILITIES AND FUND BALANCES	$ 9,129,836	$ 1,369,479	$ 59,677	$ 2,172,641

Special Revenue Funds						
Urban Transit District	Grants	TIRZ 1	TIRZ 2	PEG Cable Channel	Total Nonmajor Governmental Funds
$ 219,322	$ 141,062	$ 28,216,108	$ 4,118,901	$ 2,389,848	$ 45,552,291
-	-	2,988	4,231	-	101,436
-	-	-	-	35,068	318,076
-	-	-	-	-	1,500,000
269,538	17,949	-	-	-	653,026
-	-	-	-	-	21,819
$ 488,860	$ 159,011	$ 28,219,096	$ 4,123,132	$ 2,424,916	$ 48,146,648
$ 200,968	$ -	$ -	$ -	$ -	$ 273,860
2,410	-	-	-	-	88,183
-	-	-	-	-	38,482
178,200	-	-	-	-	499,509
381,578	-	-	-	-	900,034
-	-	-	-	-	21,819
-	-	28,219,096	4,123,132	-	32,342,228
-	-	-	-	-	1,294,915
-	-	-	-	-	59,677
-	-	-	-	2,424,916	2,424,916
-	-	-	-	-	1,715,950
-	-	-	-	-	9,120,816
107,282	-	-	-	-	107,282
-	159,011	-	-	-	159,011
107,282	159,011	28,219,096	4,123,132	2,424,916	47,246,614
$ 488,860	$ 159,011	$ 28,219,096	$ 4,123,132	$ 2,424,916	$ 48,146,648

City of McKinney, Texas

Combining Statement of Revenues, Expenditures and
Changes in Fund Balance- Nonmajor Governmental Funds
For the Year Ended September 30, 2025

	Special Revenue			
	Hotel/Motel	Law Enforcement	Donations	Community Housing
REVENUES				
Property taxes	$ -	$ -	$ -	$ -
Sales and use taxes	3,339,994	-	-	-
Other taxes and fees	-	-	-	-
Intergovernmental	-	-	-	748,330
Fines and forfeitures	-	206,607	-	-
Investment income (loss)	365,220	3,282	9,770	2,231
Contributions	-	44,501	5,053	-
Miscellaneous	491	-	-	-
Total revenues	3,705,705	254,390	14,823	750,561
EXPENDITURES				
Current:				
General government	1,941,994	-	-	231,721
Police	-	18,792	-	-
Fire	-	-	354	-
Development	-	-	-	714,741
Debt Service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Capital Expenditures:				
General government	-	-	-	-
Police	-	14,000	-	-
Fire	-	-	-	-
Total expenditures	1,941,994	32,792	354	946,462
Excess (deficiency) of revenues over (under) expenditures	1,763,711	221,598	14,469	(195,901)
OTHER FINANCING SOURCES (USES)				
Issuance of leases	-	-	-	-
Transfers in	-	-	-	350,000
Transfers out	(1,032,536)	-	-	-
Total other financing sources (uses)	(1,032,536)	-	-	350,000
Net change in fund balances	731,175	221,598	14,469	154,099
Fund balances, beginning of year	8,389,641	1,073,317	45,208	1,583,670
FUND BALANCES, END OF YEAR	$ 9,120,816	$ 1,294,915	$ 59,677	$ 1,737,769

Special Revenue						
Urban Transit District	Grants	TIRZ 1	TIRZ 2	PEG Cable Channel	Total Nonmajor Governmental Funds
$ -	$ -	$ 3,454,142	$ 1,971,361	$ -	$ 5,425,503
-	-	3,058,131	1,699,605	-	8,097,730
-	-	-	-	161,719	161,719
2,230,591	376,508	-	-	-	3,355,429
-	-	-	-	-	206,607
4,823	-	1,223,697	261,553	93,726	1,964,302
-	-	-	-	-	49,554
-	-	-	-	-	491
2,235,414	376,508	7,735,970	3,932,519	255,445	19,261,335
2,340,562	-	375,131	-	25,882	4,915,290
-	91,601	-	-	-	110,393
-	26,500	-	-	-	26,854
-	-	-	-	-	714,741
55,473	-	285,000	-	-	340,473
4,527	-	692,269	-	-	696,796
113,166	-	-	-	97,440	210,606
-	123,825	-	-	-	137,825
-	-	-	-	-	-
2,513,728	241,926	1,352,400	-	123,322	7,152,978
(278,314)	134,582	6,383,570	3,932,519	132,123	12,108,357
113,166	-	-	-	-	113,166
120,000	-	-	-	-	470,000
-	-	(4,875,851)	(8,033,277)	-	(13,941,664)
233,166	-	(4,875,851)	(8,033,277)	-	(13,358,498)
(45,148)	134,582	1,507,719	(4,100,758)	132,123	(1,250,141)
152,430	24,429	26,711,377	8,223,890	2,292,793	48,496,755
$ 107,282	$ 159,011	$ 28,219,096	$ 4,123,132	$ 2,424,916	$ 47,246,614

City of McKinney, Texas
Budgetary Comparison (GAAP Basis)
Hotel/Motel Fund
For the Year Ended September 30, 2025

	Budgeted Amounts			
	Original	Final	Actual Amount	Variance with Final Budget - Positive (Negative)
REVENUES				
Sales and use taxes	$ 2,975,000	$ 3,299,785	$ 3,339,994	$ 40,209
Investment income (loss)	320,000	346,000	365,220	19,220
Miscellaneous	2,000	2,000	491	(1,509)
Total revenues	3,297,000	3,647,785	3,705,705	57,920
EXPENDITURES				
Current Expenditures:				
General government	1,963,000	2,063,000	1,941,994	121,006
Total expenditures	1,963,000	2,063,000	1,941,994	121,006
Excess (deficiency) of revenues over (under) expenditures	1,334,000	1,584,785	1,763,711	178,926
OTHER FINANCING SOURCES (USES)				
Transfers out	(532,536)	(1,032,536)	(1,032,536)	-
Total other financing sources (uses)	(532,536)	(1,032,536)	(1,032,536)	-
Net change in fund balance	801,464	552,249	731,175	178,926
Fund balance, beginning of year	8,389,641	8,389,641	8,389,641	-
FUND BALANCE, END OF YEAR	$ 9,191,105	$ 8,941,890	$ 9,120,816	$ 178,926

City of McKinney, Texas
Budgetary Comparison (GAAP Basis)
Law Enforcement Fund
For the Year Ended September 30, 2025

	Budgeted Amounts			
	Original	Final	Actual Amount	Variance with Final Budget - Positive (Negative)
REVENUES				
Fines and forfeitures	$ -	$ -	$ 206,607	$ 206,607
Investment income (loss)	3,000	3,500	3,282	(218)
Contributions	34,450	44,501	44,501	-
Total revenues	37,450	48,001	254,390	206,389
EXPENDITURES				
Current Expenditures:				
Police	108,200	558,200	18,792	539,408
Capital Expenditures:				
Police	-	-	14,000	(14,000)
Total expenditures	108,200	558,200	32,792	525,408
Excess (deficiency) of revenues over (under) expenditures	(70,750)	(510,199)	221,598	731,797
Net change in fund balance	(70,750)	(510,199)	221,598	731,797
Fund balance, beginning of year	1,073,317	1,073,317	1,073,317	-
FUND BALANCE, END OF YEAR	$ 1,002,567	$ 563,118	$ 1,294,915	$ 731,797

City of McKinney, Texas
Budgetary Comparison (GAAP Basis)
Donations Fund
For the Year Ended September 30, 2025

	Budgeted Amounts			
	Original	Final	Actual Amount	Variance with Final Budget - Positive (Negative)
REVENUES				
Investment income (loss)	$ 1,000	$ 9,900	$ 9,770	$ (130)
Contributions	7,500	7,500	5,053	(2,447)
Total revenues	8,500	17,400	14,823	(2,577)
EXPENDITURES				
Current Expenditures:				
Fire	40,650	40,650	354	40,296
Total expenditures	40,650	40,650	354	40,296
Excess (deficiency) of revenues over (under) expenditures	(32,150)	(23,250)	14,469	37,719
Net change in fund balance	(32,150)	(23,250)	14,469	37,719
Fund balance, beginning of year	45,208	45,208	45,208	-
FUND BALANCE, END OF YEAR	$ 13,058	$ 21,958	$ 59,677	$ 37,719

City of McKinney, Texas
Budgetary Comparison (GAAP Basis)
Community Housing Fund
For the Year Ended September 30, 2025

	Budgeted Amounts			
	Original	Final	Actual Amount	Variance with Final Budget - Positive (Negative)
REVENUES				
Intergovernmental	$ 1,930,051	$ 1,890,039	$ 748,330	$ (1,141,709)
Investment income (loss)	-	-	2,231	2,231
Miscellaneous	5,000	5,000	-	(5,000)
Total revenues	1,935,051	1,895,039	750,561	(1,144,478)
EXPENDITURES				
Current Expenditures:				
General government	-	-	231,721	(231,721)
Development	1,935,051	2,245,039	714,741	1,530,298
Total expenditures	1,935,051	2,245,039	946,462	1,298,577
Excess (deficiency) of revenues over (under) expenditures	-	(350,000)	(195,901)	154,099
OTHER FINANCING SOURCES (USES)				
Transfers in	-	350,000	350,000	-
Total other financing sources (uses)	-	350,000	350,000	-
Net change in fund balance	-	-	154,099	154,099
Fund balance, beginning of year	1,583,670	1,583,670	1,583,670	-
FUND BALANCE, END OF YEAR	$ 1,583,670	$ 1,583,670	$ 1,737,769	$ 154,099

City of McKinney, Texas
Budgetary Comparison (GAAP Basis)
Urban Transit District Fund
For the Year Ended September 30, 2025

	Budgeted Amounts			
	Original	Final	Actual Amount	Variance with Final Budget - Positive (Negative)
REVENUES				
Intergovernmental	$ 1,998,823	$ 2,298,823	$ 2,230,591	$ (68,232)
Investment income (loss)	2,000	5,600	4,823	(777)
Total revenues	2,000,823	2,304,423	2,235,414	(69,009)
EXPENDITURES				
Current Expenditures:				
General government	2,230,823	2,511,326	2,340,562	170,764
Debt Service:				
Principal retirement	-	-	55,473	(55,473)
Interest and fiscal charges	-	-	4,527	(4,527)
Capital Expenditures:				
General government	-	-	113,166	(113,166)
Total expenditures	2,230,823	2,511,326	2,513,728	(2,402)
Excess (deficiency) of revenues over (under) expenditures	(230,000)	(206,903)	(278,314)	(71,411)
OTHER FINANCING SOURCES (USES)				
Issuance of leases	-	-	113,166	113,166
Transfers in	230,000	230,000	120,000	(110,000)
Total other financing sources (uses)	230,000	230,000	233,166	3,166
Net change in fund balance	-	23,097	(45,148)	(68,245)
Fund balance, beginning of year	152,430	152,430	152,430	-
FUND BALANCE, END OF YEAR	$ 152,430	$ 175,527	$ 107,282	$ (68,245)

City of McKinney, Texas
Budgetary Comparison (GAAP Basis)
Grants Fund
For the Year Ended September 30, 2025

	Budgeted Amounts			
	Original	Final	Actual Amount	Variance with Final Budget - Positive (Negative)
REVENUES				
Intergovernmental	$ 246,012	$ 246,012	$ 376,508	$ 130,496
Contributions	-	-	-	-
Total revenues	246,012	246,012	376,508	130,496
EXPENDITURES				
Current Expenditures:				
General government	246,012	246,012	-	246,012
Police	-	-	91,601	(91,601)
Fire	-	-	26,500	(26,500)
Capital Expenditures:				
Police	-	-	123,825	(123,825)
Total expenditures	246,012	246,012	241,926	4,086
Excess (deficiency) of revenues over (under) expenditures	-	-	134,582	134,582
Net change in fund balance	-	-	134,582	134,582
Fund balance, beginning of year	24,429	24,429	24,429	-
FUND BALANCE, END OF YEAR	$ 24,429	$ 24,429	$ 159,011	$ 134,582

City of McKinney, Texas
Budgetary Comparison (GAAP Basis)
TIRZ 1 Fund
For the Year Ended September 30, 2025

	Budgeted Amounts			
	Original	Final	Actual Amount	Variance with Final Budget - Positive (Negative)
REVENUES				
Property taxes	$ 3,452,418	$ 3,452,418	$ 3,454,142	$ 1,724
Sales and use taxes	3,001,400	3,001,400	3,058,131	56,731
Investment income (loss)	1,482,000	1,159,236	1,223,697	64,461
Total revenues	7,935,818	7,613,054	7,735,970	122,916
EXPENDITURES				
Current Expenditures:				
General government	1,091,369	1,330,812	375,131	955,681
Debt Service:				
Principal retirement	285,000	285,000	285,000	-
Interest and fiscal charges	1,400	1,400	692,269	(690,869)
Total expenditures	1,377,769	1,617,212	1,352,400	264,812
Excess (deficiency) of revenues over (under) expenditures	6,558,049	5,995,842	6,383,570	387,728
OTHER FINANCING SOURCES (USES)				
Transfers out	(150,851)	(4,875,851)	(4,875,851)	-
Total other financing sources (uses)	(150,851)	(4,875,851)	(4,875,851)	-
Net change in fund balance	6,407,198	1,119,991	1,507,719	387,728
Fund balance, beginning of year	26,711,377	26,711,377	26,711,377	-
FUND BALANCE, END OF YEAR	$ 33,118,575	$ 27,831,368	$ 28,219,096	$ 387,728

City of McKinney, Texas
Budgetary Comparison (GAAP Basis)
TIRZ 2 Fund
For the Year Ended September 30, 2025

	Budgeted Amounts			
	Original	Final	Actual Amount	Variance with Final Budget - Positive (Negative)
REVENUES				
Property taxes	$ 1,970,703	$ 1,970,703	$ 1,971,361	$ 658
Sales and use taxes	1,593,600	1,593,600	1,699,605	106,005
Investment income (loss)	212,000	288,741	261,553	(27,188)
Total revenues	3,776,303	3,853,044	3,932,519	79,475
Excess (deficiency) of revenues over (under) expenditures	3,776,303	3,853,044	3,932,519	79,475
OTHER FINANCING SOURCES (USES)				
Transfers out	(33,277)	(8,033,277)	(8,033,277)	-
Total other financing sources (uses)	(33,277)	(8,033,277)	(8,033,277)	-
Net change in fund balance	3,743,026	(4,180,233)	(4,100,758)	79,475
Fund balance, beginning of year	8,223,890	8,223,890	8,223,890	-
FUND BALANCE, END OF YEAR	$ 11,966,916	$ 4,043,657	$ 4,123,132	$ 79,475

City of McKinney, Texas
Budgetary Comparison (GAAP Basis)
PEG Cable Channel Fund
For the Year Ended September 30, 2025

	Budgeted Amounts			
	Original	Final	Actual Amount	Variance with Final Budget - Positive (Negative)
REVENUES				
Other taxes and fees	$ 219,502	$ 192,402	$ 161,719	$ (30,683)
Investment income (loss)	88,000	92,300	93,726	1,426
Total revenues	307,502	284,702	255,445	(29,257)
EXPENDITURES				
Current expenditures:				
General government	337,500	337,500	123,322	214,178
Total expenditures	337,500	337,500	123,322	214,178
Excess (deficiency) of revenues over (under) expenditures	(29,998)	(52,798)	132,123	184,921
Net change in fund balance	(29,998)	(52,798)	132,123	184,921
Fund balance, beginning of year	2,292,793	2,292,793	2,292,793	-
FUND BALANCE, END OF YEAR	$ 2,262,795	$ 2,239,995	$ 2,424,916	$ 184,921

Nonmajor Enterprise Funds

Golf Course Fund - to account for revenue received and operating expenses incurred in the operation of Oak Hollow Municipal Golf Course.

Surface Water Drainage Utility Fund - to account for revenue paid by utility customers and allowable expenses under the Surface Drainage Utility System Ordinance.

Solid Waste Fund - to account for revenues and operating costs of providing solid waste and recycling services.

City of McKinney, Texas
Combining Statement of Net Position
Nonmajor Enterprise Funds
September 30, 2025

	Business-type Activities - Enterprise Funds			
	Golf Course	Surface Water Drainage	Solid Waste	Total Nonmajor Enterprise Funds
ASSETS				
Current assets:				
Cash and cash equivalents	$ 431,309	$ 5,943,509	$ 8,146,038	$ 14,520,856
Restricted assets:				
Cash and cash equivalents	10,000	-	-	10,000
Accounts receivable (net of allowance for uncollectibles)	57,692	632,510	2,324,817	3,015,019
Accrued interest	-	-	-	-
Notes receivable- interfund	-	-	2,303,610	2,303,610
Prepaids	-	34,138	-	34,138
Total current assets	499,001	6,610,157	12,774,465	19,883,623
Non-current assets:				
Capital assets:				
Land	402,213	-	164,296	566,509
Buildings	1,701,923	-	164,402	1,866,325
Improvements other than buildings	3,459,716	-	364,127	3,823,843
Machinery and equipment	214,679	3,567,632	8,139,399	11,921,710
Construction in progress	-	-	-	-
Less accumulated depreciation/amortization	(3,435,310)	(1,998,571)	(1,686,284)	(7,120,165)
Total capital assets (net of accumulated depreciation/amortization)	2,343,221	1,569,061	7,145,940	11,058,222
TOTAL ASSETS	2,842,222	8,179,218	19,920,405	30,941,845
DEFERRED OUTFLOWS OF RESOURCES				
Deferred pension outflows	-	402,827	302,739	705,566
Deferred OPEB outflows	-	30,162	22,667	52,829
TOTAL DEFERRED OUTFLOWS OF RESOURCES	-	432,989	325,406	758,395
LIABILITIES				
Current liabilities:				
Accounts payable	-	91,150	912,902	1,004,052
Other accrued liabilities	-	76,450	223,990	300,440
Due to other funds	-	-	40,593	40,593
Notes payable	58,028	-	-	58,028
Compensated absences	-	19,592	12,026	31,618
Total current liabilities	58,028	187,192	1,189,511	1,434,731
Payable from restricted assets:				
Deposits	10,000	-	-	10,000
Total current liabilities payable from restricted assets	10,000	-	-	10,000
Non-current liabilities:				
Compensated absences	-	260,288	159,772	420,060
Notes payable	243,216	-	-	243,216
Net pension liability	-	864,222	649,494	1,513,716
Total OPEB liability	-	208,605	156,774	365,379
Total non-current liabilities	243,216	1,333,115	966,040	2,542,371
TOTAL LIABILITIES	311,244	1,520,307	2,155,551	3,987,102
DEFERRED INFLOWS OF RESOURCES				
Deferred pension inflows	-	88,108	66,217	154,325
Deferred OPEB inflows	-	224,751	168,909	393,660
TOTAL DEFERRED INFLOWS OF RESOURCES	-	312,859	235,126	547,985
NET POSITION				
Net investment in capital assets	2,343,221	1,569,061	7,145,940	11,058,222
Unrestricted	187,757	5,209,980	10,709,194	16,106,931
TOTAL NET POSITION	$ 2,530,978	$ 6,779,041	$ 17,855,134	$ 27,165,153

City of McKinney, Texas

Combining Statement of Revenues, Expenses and Changes in Fund Net Position
Nonmajor Enterprise Funds
For the Year Ended September 30, 2025

	Business-type Activities - Enterprise Funds			
	Golf Course	Surface Water Drainage	Solid Waste	Total Nonmajor Enterprise Funds
OPERATING REVENUES				
Charges for services	$ 135,641	$ 5,681,399	$ 20,966,148	$ 26,783,188
Miscellaneous	139,137	-	67,650	206,787
Total operating revenues	274,778	5,681,399	21,033,798	26,989,975
OPERATING EXPENSES				
Personnel services	-	2,968,699	2,294,054	5,262,753
Materials and supplies	-	123,794	107,929	231,723
Maintenance	-	266,534	341,640	608,174
Contract payments	-	1,229,790	15,839,546	17,069,336
Utilities	-	232	-	232
Depreciation/amortization	105,659	424,434	806,426	1,336,519
Other	9,948	84,131	154,809	248,888
Total operating expenses	115,607	5,097,614	19,544,404	24,757,625
Operating income	159,171	583,785	1,489,394	2,232,350
NON-OPERATING REVENUES (EXPENSES)				
Investment income (loss)	7,002	252,347	238,485	497,834
Gain from disposal of assets	-	33,670	155,443	189,113
Total non-operating revenues	7,002	286,017	393,928	686,947
Income before contributions and transfers	166,173	869,802	1,883,322	2,919,297
Contributions	69,917	-	798,750	868,667
Transfers in	-	-	201,228	201,228
Transfers out	(20,000)	(421,185)	(565,003)	(1,006,188)
Change in net position	216,090	448,617	2,318,297	2,983,004
Total net position - beginning, as previously presented	2,314,888	6,337,381	15,552,664	24,204,933
Change in accounting principle - GASB 101	-	(6,957)	(15,827)	(22,784)
Total net position - beginning, as restated	2,314,888	6,330,424	15,536,837	24,182,149
TOTAL NET POSITION - ENDING	$ 2,530,978	$ 6,779,041	$ 17,855,134	$ 27,165,153

City of McKinney, Texas
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Year Ended September 30, 2025

	Business-type Activities - Enterprise Funds			
	Golf Course	Surface Water Drainage	Solid Waste	Total Nonmajor Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from customers	$ 99,533	$ 5,569,736	$ 20,471,368	$ 26,140,637
Other operating revenues	139,137	-	67,650	206,787
Cash payments for employee services	-	(2,864,083)	(2,183,876)	(5,047,959)
Cash payments to suppliers for goods and services	(9,948)	(1,764,003)	(17,317,095)	(19,091,046)
Net cash provided by operating activities	228,722	941,650	1,038,047	2,208,419
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:				
Cash received from other funds	-	-	569,558	569,558
Transfers in	-	-	201,228	201,228
Transfers out	(20,000)	(421,185)	(565,003)	(1,006,188)
Net cash used in non-capital financing activities	(20,000)	(421,185)	205,783	(235,402)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Acquisition and construction of capital assets	(54,610)	(227,539)	570,037	287,888
Proceeds from sale of assets	-	33,670	155,443	189,113
Principal payments on interfund loans	(57,030)	-	-	(57,030)
Net cash used in capital and related financing activities	(111,640)	(193,869)	725,480	419,971
CASH FLOWS FROM INVESTING ACTIVITIES:				
Purchase of investment securities	-	-	-	-
Investment earnings (loss)	7,002	252,347	238,485	497,834
Net cash provided by investing activities	7,002	252,347	238,485	497,834
Net increase in cash	104,084	578,943	2,207,795	2,890,822
Cash and cash equivalents at beginning of year	337,225	5,364,566	5,938,243	11,640,034
Cash and cash equivalents at end of year	$ 441,309	$ 5,943,509	$ 8,146,038	$ 14,530,856
RECONCILIATION OF TOTAL CASH TO THE STATEMENT OF NET POSITION				
Unrestricted cash and cash equivalents	$ 431,309	$ 5,943,509	$ 8,146,038	$ 14,520,856
Restricted cash and cash equivalents	10,000	-	-	10,000
	$ 441,309	$ 5,943,509	$ 8,146,038	$ 14,530,856
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:				
Operating income	$ 159,171	$ 583,785	$ 1,489,394	$ 2,232,350
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation/amortization	105,659	424,434	806,426	1,336,519
Change in assets and liabilities:				
(Increase) decrease in assets:				
Accounts receivable	(36,108)	(111,663)	(555,886)	(703,657)
Accrued interest receivable	-	-	61,106	61,106
Prepaid expenses	-	(34,138)	-	(34,138)
Increase (decrease) in liabilities:				
Accounts payable	-	(16,824)	(527,440)	(544,264)
Accrued liabilities	-	(8,560)	(349,287)	(357,847)
Due to other funds	-	-	3,556	3,556
Liability for compensated absences	-	(13,322)	(24,720)	(38,042)
Net pension liability and OPEB obligation	-	117,938	134,898	252,836
Total adjustments	69,551	357,865	(451,347)	(23,931)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	$ 228,722	$ 941,650	$ 1,038,047	$ 2,208,419
NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES				
Non cash contributions	$69,917	$ -	$ 798,750	$868,667

Discretely Presented Component Units

McKinney Economic Development Corporation – purpose is to aid, promote and further the economic development within the City.

McKinney Community Development Corporation – purpose is to identify and fund public projects to maintain or enhance the quality of life in the city.

McKinney Convention & Visitors Bureau – to account for funds received from the City's local hotel/motel tax fund for the purpose of promoting tourism and making the City of McKinney a destination of choice.

McKinney Main Street – purpose is to maintain and enhance a vibrant downtown area through economic redevelopment, design, organization and promotion.

City of McKinney, Texas
Combining Balance Sheet
McKinney Economic Development Corporation
Discretely Presented Component Units
September 30, 2025

	McKinney Economic Development Corporation
ASSETS	
Cash and cash equivalents	$ 49,966,638
Restricted cash and cash equivalents	4,420,747
Accounts receivable	4,531,661
Leases receivable	489,585
Prepaid items	31,566
Total assets	$ 59,440,197
LIABILITIES	
Accounts payable	$ 3,780,656
Other accrued liabilities	10,049,019
Deferred revenue	305,131
Total liabilities	14,134,806
DEFERRED INFLOWS OF RESOURCES	
Leases	454,243
Total deferred inflows of resources	454,243
FUND BALANCES	
Nonspendable	
Prepaid items	31,566
Unassigned	44,819,582
Total fund balance	44,851,148
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	$ 59,440,197

City of McKinney, Texas
Reconciliation of Balance Sheet of Governmental Funds to the Statement of Net Position
McKinney Economic Development Corporation
Discretely Presented Component Units
September 30, 2025

Total fund balance - MEDC balance sheet	$	44,851,148
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. Capital assets are reported in the government-wide financial statements, net of accumulated depreciation and amortization.		108,162,290
Accrued liabilities for compensated absences are not reflected in the fund financial statements.		(159,305)
Deferred outflows of resources and deferred inflows of resources represent flows of resources which relate to future periods and, therefore, are not reported in the fund financial statements. Deferred outflows and inflows of resources consist of:		
Deferred pension outflows (GASB 68)		230,046
Deferred OPEB outflows (GASB 75)		17,224
Deferred charge on refunding		35,939
Deferred pension inflows (GASB 68)		(50,317)
Deferred OPEB inflows (GASB 75)		(128,351)
Net pension and total OPEB liabilities are not reported in the funds.		(612,666)
Bonds payable and notes payable are not reported in the funds.		(77,130,111)
Lease liabilities are not reported in the funds.		(1,676,681)
Accrued interest is not reported in the funds.		(320,268)
NET POSITION OF GOVERNMENTAL ACTIVITIES	$	73,218,948

City of McKinney, Texas

Combining Statements of Revenues, Expenditures and Changes in Fund Balance
McKinney Economic Development Corporation
Discretely Presented Component Units
For the Year Ended September 30, 2025

	McKinney Economic Development Corporation
REVENUES	
Sales and use taxes	$ 24,617,454
Investment income	1,793,889
Miscellaneous revenue	729,672
Total revenues	27,141,015
EXPENDITURES	
Economic development	31,971,101
Interest and fiscal charges	2,428,036
Principal payments	2,370,629
Capital outlay	51,409,511
Total expenditures	88,179,277
Excess (deficiency) of revenues over (under) expenditures	(61,038,262)
OTHER FINANCING SOURCES (USES)	
Proceeds from issuance of debt	63,060,000
Premium on issuance of debt	178,636
Total other financing sources (uses):	63,238,636
Net change in fund balance	2,200,374
Fund balance, beginning of year	42,650,774
FUND BALANCE, END OF YEAR	$ 44,851,148

City of McKinney, Texas

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities
McKinney Economic Development Corporation
Discretely Presented Component Units
For the Year Ended September 30, 2025

Net change in fund balance - MEDC governmental funds	$	2,200,374
Amounts reported for governmental activities in the statement of activities are different because:		
Current year capital outlays are expenditures in the fund financial statements, but they are shown as an increase in capital assets in the government-wide financial statements. The effect of removing the 2025 capital outlays is to increase net position.		51,409,511
Disposals of capital assets are not reported the fund financial statements.		(11,717,497)
Governmental funds do not report depreciation and amortization since it does not require the use of current financial resources.		(293,785)
Bond principal, lease and note payable payments are not reported in the Statement of Activities.		2,370,629
The issuance of long-term debt is shown as "Other Sources and Uses" in the governmental funds, but is shown on the statement of net position as a change in debt obligations with corresponding balances amortized over the life of the bonds. Issuance of long-term debt and recognition and amortization of these differences consist of the following:		
Issuance of bonds		(63,060,000)
Premium on issuance of debt		(178,636)
The amortization of losses on refunding of debt are not recorded in the governmental funds, but are amortized on the statement of activities as interest expense. This resulted in the following difference:		
Amortization of refunding loss		(27,234)
Amortization of premium		3,525
Interest is accrued on outstanding debt in the government-wide financial statements, whereas in the fund financial statements an interest expenditure is reported when due.		(299,188)
Pension and OPEB expense are reported as the amount paid in the funds, but incorporates deferred outflows and deferred inflows in the government-wide financial statements.		23,648
Current year changes in the long-term liability for compensated absences do not require the use of current financial resources; therefore, they are not reported as expenditures in the governmental fund.		(30,392)
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	$	(19,599,045)

City of McKinney, Texas
Balance Sheet
McKinney Community Development Corporation
Discretely Presented Component Units
September 30, 2025

	McKinney Community Development Corporation
ASSETS	
Cash and cash equivalents	$ 72,245,472
Investments	19,638,100
Accounts receivable	4,221,589
Notes receivable	767,526
Leases receivable	7,508,231
Prepaid items	10,522
Total assets	104,391,440
LIABILITIES	
Accounts payable	4,631,940
Other accrued liabilities	13,560
Total liabilities	4,645,500
DEFERRED INFLOWS OF RESOURCES	
Leases	7,295,848
Total deferred inflows of resources	7,295,848
FUND BALANCES	
Nonspendable	
Prepaid items	10,522
Unassigned	92,439,570
Total fund balance	92,450,092
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	$ 104,391,440

City of McKinney, Texas
Reconciliation of Balance Sheet of Governmental Funds to the Statement of Net Position
McKinney Community Development Corporation
Discretely Presented Component Units
September 30, 2025

Total fund balance - MCDC balance sheet	$	92,450,092
Amounts reported for governmental activities in the statement of net position are different because:		
Bonds payable are not reported in the funds.		(44,120,000)
Accrued interest is not reported in the funds.		(228,232)
Lease liabilities are not reported in the funds.		(558,894)
Accrued liabilities for compensated absences are not reflected in the fund financial statements.		(68,092)
Deferred outflows of resources and deferred inflows of resources represent flows of resources which relate to future periods and, therefore, are not reported in the fund financial statements. Deferred outflows and deferred inflows of resources consist of:		
Deferred pension outflows (GASB 68)		67,465
Deferred OPEB outflows (GASB 75)		5,053
Deferred pension inflows (GASB 68)		(14,757)
Deferred OPEB inflows (GASB 75)		(37,642)
Net pension and total OPEB liabilities are not reported in the funds.		(179,677)
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. Capital assets are reported in the government-wide financial statements, net of accumulated depreciation and amortization.		25,066,034
NET POSITION OF GOVERNMENTAL ACTIVITIES	$	72,381,350

City of McKinney, Texas

Statement of Revenues, Expenditures and Changes in Fund Balance
McKinney Community Development Corporation
Discretely Presented Component Units
For the Year Ended September 30, 2025

	McKinney Community Development Corporation
REVENUES	
Sales and use taxes	$ 24,617,454
Investment income	3,727,530
Contributions	282,025
Miscellaneous revenue	116,923
Total revenues	28,743,932
EXPENDITURES	
Community development	45,122,229
Capital outlay	28,930
Debt service:	
Principal retirement	1,200,210
Interest and fiscal charges	1,192,759
Total expenditures	47,544,128
Excess (deficiency) of revenues over (under) expenditures	(18,800,196)
OTHER FINANCING SOURCES (USES)	
Proceeds from issuance of debt	30,170,000
Total other financing sources	30,170,000
Net change in fund balances	11,369,804
Fund balance, beginning of year	81,080,288
FUND BALANCE, END OF YEAR	$ 92,450,092

City of McKinney, Texas
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities
McKinney Community Development Corporation
Discretely Presented Component Units
For the Year Ended September 30, 2025

Net change in fund balance - MCDC governmental funds	$	11,369,804
Amounts reported for governmental activities in the statement of activities are different because:		
Current year long-term debt principal payments are expenditures in the fund financial statements but are shown as reductions in long-term debt in the government-wide financial statements.		1,200,210
Interest is accrued on outstanding debt in the government-wide statements, whereas in the fund financial statements, an interest expenditure is reported when due.		(156,624)
Current year changes in the long-term liability for compensated absences do not require the use of current financial resources; therefore, they are not reported as expenditures in governmental funds.		(5,831)
Current year capital outlays are expenditures in the fund financial statements, but they are shown as an increase in capital assets in the government-wide financial statements. The effect of removing the 2025 capital outlays is to increase net position.		28,930
The issuance and refunding of long-term debt and leases, are shown as "Other Sources and Uses" in the governmental funds, but are shown on the statement of net position as a change in debt obligations with corresponding balances amortized over the life of the bonds. Issuance of long-term debt and recognition and amortization of these differences consist of the following:		
Proceeds from issuance of debt		(30,170,000)
Governmental funds do not report depreciation and amortization since it does not require the use of current financial resources.		(547,027)
Pension and OPEB expense are reported as the amount paid in the funds, but incorporates deferred outflows and deferred inflows in the government-wide financial statements.		(14,014)
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	$	(18,294,552)

City of McKinney, Texas
Balance Sheet
McKinney Convention and Visitors Bureau
Discretely Presented Component Units
September 30, 2025

	McKinney Convention & Visitors Bureau
ASSETS	
Cash and cash equivalents	$ 104,437
Prepaid items	3,800
Total assets	108,237
LIABILITIES	
Accounts payable	35,535
Other accrued liabilities	17,729
Total liabilities	53,264
FUND BALANCES	
Nonspendable	
Prepaid items	3,800
Unassigned	51,173
Total fund balance	54,973
TOTAL LIABILITIES AND FUND BALANCE	$ 108,237

City of McKinney, Texas
Reconciliation of Balance Sheet of Governmental Funds to the Statement of Net Position
McKinney Convention and Visitors Bureau
Discretely Presented Component Units
For the Year Ended September 30, 2025

Total fund balance - MCVB balance sheet	$	54,973
Amounts reported for governmental activities in the statement of net position are different because:		
Deferred outflows of resources and deferred inflows of resources represent flows of resources which relate to future periods and, therefore, are not reported in the fund financial statements. Deferred outflows and deferred inflows of resources consist of:		
Deferred pension outflows (GASB 68)		111,890
Deferred OPEB outflows (GASB 75)		8,377
Deferred pension inflows (GASB 68)		(24,473)
Deferred OPEB inflows (GASB 75)		(62,427)
Net pension and total OPEB liabilities are not reported in the funds.		(297,992)
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. Capital assets are reported in the government-wide financial statements, net of accumulated depreciation and amortization.		429,917
Accrued liabilities for compensated absences are not reflected in the fund financial statements.		(68,652)
Lease liabilities have not been included in the governmental fund financial statements.		(437,585)
NET POSITION OF GOVERNMENTAL ACTIVITIES	$	(285,972)

City of McKinney, Texas

Statement of Revenues, Expenditures and Changes in Fund Balance
McKinney Convention and Visitors Bureau
Discretely Presented Component Units
For the Year Ended September 30, 2025

	McKinney Convention & Visitors Bureau
REVENUES	
Contributions	$ 1,452,000
Investment income	2,197
Miscellaneous	46,285
Total revenues	1,500,482
EXPENDITURES	
Community development	1,457,108
Capital outlay	36,842
Interest and fiscal charges	18,444
Principal payments	43,152
Total expenditures	1,555,546
Excess (deficiency) of revenues over (under) expenditures	(55,064)
Fund balance, beginning of year	110,037
FUND BALANCE, END OF YEAR	$ 54,973

City of McKinney, Texas
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities
McKinney Convention and Visitors Bureau
Discretely Presented Component Units
For the Year Ended September 30, 2025

Net change in fund balance - MCVB governmental funds	$	(55,064)
Amounts reported for governmental activities in the statement of activities are different because:		
Current year capital outlays are expenditures in the fund financial statements, but they are shown as an increase in capital assets in the government-wide financial statements. The effect of removing the 2025 capital outlays is to increase net position.		36,842
Current year long-term debt principal payments are expenditures in the fund financial statements but are shown as reductions in long-term debt in the government-wide financial statements.		43,152
Governmental funds do not report depreciation and amortization since it does not require the use of current financial resources.		(57,012)
Pension and OPEB expense is reported as the amount paid in the funds, but incorporates deferred outflows and deferred inflows in the government-wide financial statements.		(43,280)
Current year changes in the long-term liability for compensated absences do not require the use of current financial resources; therefore, they are not reported as expenditures in governmental funds.		10,661
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	$	(64,701)

City of McKinney, Texas
Balance Sheet
McKinney Main Street
Discretely Presented Component Units
September 30, 2025

	McKinney Main Street Corporation
ASSETS	
Cash and cash equivalents	$ 571,600
Accounts receivable	220,922
Prepaid items	8,000
Total assets	800,522
LIABILITIES	
Accounts payable	279,611
Unearned revenue	38,500
Total liabilities	318,111
FUND BALANCES	
Nonspendable	
Prepaid items	8,000
Unassigned	474,411
Total fund balance	482,411
TOTAL LIABILITIES AND FUND BALANCE	$ 800,522

City of McKinney, Texas
Reconciliation of Balance Sheet of Governmental Funds to the Statement of Net Position
McKinney Main Street
Discretely Presented Component Units
For the Year Ended September 30, 2025

Total fund balance - MMS balance sheet	$	482,411
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. Capital assets are reported in the government-wide financial statements, net of accumulated depreciation.		95,363
NET POSITION OF GOVERNMENTAL ACTIVITIES	$	577,774

City of McKinney, Texas
Statement of Revenues, Expenditures and Changes in Fund Balance
McKinney Main Street
Discretely Presented Component Units
For the Year Ended September 30, 2025

	McKinney Main Street Corporation
REVENUES	
Contributions	$ 320,320
Events	1,311,888
Miscellaneous income	87
Total revenues	1,632,295
EXPENDITURES	
Community development	1,661,478
Total expenditures	1,661,478
Excess (deficiency) of revenues over (under) expenditures	(29,183)
Fund balance, beginning of year	511,594
FUND BALANCE, END OF YEAR	$ 482,411

City of McKinney, Texas
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities
McKinney Main Street
Discretely Presented Component Units
For the Year Ended September 30, 2025

Net change in fund balance - MMS governmental funds	$	(29,183)
Amounts reported for governmental activities in the statement of activities are different because:		
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The effect of recording the current year's depreciation is to decrease net assets.		(12,857)
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	$	(42,040)

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Statistical Section

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This part of the City of McKinney's annual comprehensive financial report presents detailed information as a context for understanding what the information in the financial statements, notes disclosures, and required supplementary information says about the City's overall financial health. This information has not been audited by the independent auditor.

Contents **Table #s**

Financial Trends **1-4**

These tables contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

Revenue Capacity **5-8**

These tables contain information to help the reader assess the City's two most significant local revenue sources, the property and sales taxes.

Debt Capacity **9-13**

These tables present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

Economic and Demographic Information **14-15**

These tables offer economic and demographic indicators to help the reader understand the environment within which the City's financial activities take place.

Operating Information **16-18**

These tables contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides.

Source: Unless otherwise noted, the information in these tables is derived from the annual comprehensive financial reports for the relevant year.

City of McKinney, Texas

Net Position by Component
Accrual Basis of Accounting
Last Ten Fiscal Years (Unaudited)

	Fiscal Year			
	2016	2017	2018	2019
GOVERNMENTAL ACTIVITIES				
Net investment in capital assets	$ 320,331,134	$ 403,719,522	$ 440,381,046	$ 461,843,548
Restricted for:				
Use of impact fees	-	-	-	-
Highways and streets	32,306,475	32,618,355	39,325,471	18,494,348
Debt service	3,894,517	4,605,297	5,550,814	5,964,590
Other capital projects	44,403,282	53,624,967	76,097,635	62,137,151
Public safety	614,384	576,119	520,453	439,588
Community development	4,110,258	4,553,868	5,082,730	15,361,571
Court	350,172	383,860	415,412	530,241
Library	203,093	131,231	84,924	-
PEG	-	-	-	1,864,718
Cultural and recreation	14,067	10,423	2,628	-
Grants and donations	257,398	180,313	178,151	415,799
Unrestricted	44,277,694	69,040,330	16,826,562	37,373,891
TOTAL GOVERNMENTAL ACTIVITIES NET POSITION	$ 450,762,474	$ 569,444,285	$ 584,465,826	$ 604,425,445
BUSINESS-TYPE ACTIVITIES				
Net investment in capital assets	$ 370,316,179	$ 391,997,298	$ 448,604,533	$ 445,241,220
Restricted for:				
Use of impact fees	8,407,115	9,415,280	10,286,227	5,913,858
Debt service	4,338,428	6,420,315	7,015,666	7,974,994
Unrestricted	89,348,086	100,155,117	107,923,617	125,098,478
TOTAL BUSINESS-TYPE ACTIVITIES NET POSITION	$ 472,409,808	$ 507,988,010	$ 573,830,043	$ 584,228,550
PRIMARY GOVERNMENT				
Net investment in capital assets	$ 690,647,313	$ 795,716,820	$ 888,985,579	$ 907,084,768
Restricted for:				
Use of impact fees	8,407,115	9,415,280	10,286,227	5,913,858
Highways and streets	32,306,475	32,618,355	39,325,471	18,494,348
Debt service	8,232,945	11,025,612	12,566,480	13,939,584
Other capital projects	44,403,282	53,624,967	76,097,635	62,137,151
Public safety	614,384	576,119	520,453	439,588
Community development	4,110,258	4,553,868	5,082,730	15,361,571
Court	350,172	383,860	415,412	530,241
Library	203,093	131,231	84,924	-
PEG	-	-	-	1,864,718
Cultural and recreation	14,067	10,423	2,628	-
Grants and donations	257,398	180,313	178,151	415,799
Unrestricted	133,625,780	169,195,447	124,750,179	162,472,369
TOTAL PRIMARY GOVERNMENTAL NET POSITION	$ 923,172,282	$ 1,077,432,295	$ 1,158,295,869	$ 1,188,653,995

Source: Annual Comprehensive Financial Report

Table 1

Fiscal Year					
2020	2021	2022	2023	2024	2025
$ 496,467,289	$ 553,954,416	$ 575,424,351	$ 682,444,748	$ 720,559,595	$ 814,236,366
19,459,628	12,534,491	17,703,582	18,048,550	13,517,353	11,404,567
-	-	-	-	-	-
6,147,185	4,999,807	5,439,350	7,313,471	7,589,730	6,947,465
66,401,069	79,624,383	92,104,403	105,664,530	146,658,914	190,217,175
540,844	457,823	458,868	750,717	1,004,320	1,211,868
15,261,023	15,794,962	37,571,634	48,760,307	44,908,578	43,200,813
558,328	563,451	531,492	518,211	392,011	414,649
-	-	-	-	-	-
2,078,723	2,381,953	1,669,855	1,993,461	2,292,793	2,424,916
-	-	-	-	-	-
538,225	499,164	491,291	522,187	368,132	492,026
48,100,768	63,714,215	72,150,340	86,177,085	90,583,980	52,052,008
$ 655,553,082	$ 734,524,665	$ 803,545,166	$ 952,193,267	$ 1,027,875,406	$ 1,122,601,853
$ 503,427,839	$ 524,411,432	$ 529,209,550	$ 595,683,976	$ 651,139,586	$ 738,418,750
5,467,274	4,247,524	8,522,636	7,197,129	4,014,734	4,388,921
8,818,206	9,301,316	14,132,648	16,891,621	20,000,110	21,005,683
109,449,958	110,313,189	122,357,301	155,797,875	201,381,287	254,632,556
$ 627,163,277	$ 648,273,461	$ 674,222,135	$ 775,570,601	$ 876,535,717	$ 1,018,445,910
$ 999,895,128	$ 1,078,365,848	$ 1,104,633,901	$ 1,278,128,724	$ 1,371,699,181	$ 1,552,655,116
24,926,902	16,782,015	26,226,218	25,245,679	17,532,087	15,793,488
-	-	-	-	-	-
14,965,391	14,301,123	19,571,998	24,205,092	27,589,840	27,953,148
66,401,069	79,624,383	92,104,403	105,664,530	146,658,914	190,217,175
540,844	457,823	458,868	750,717	1,004,320	1,211,868
15,261,023	15,794,962	37,571,634	48,760,307	44,908,578	43,200,813
558,328	563,451	531,492	518,211	392,011	414,649
-	-	-	-	-	-
2,078,723	2,381,953	1,669,855	1,993,461	2,292,793	2,424,916
-	-	-	-	-	-
538,225	499,164	491,291	522,187	368,132	492,026
157,550,726	174,027,404	194,507,641	241,974,960	291,965,267	306,684,564
$ 1,282,716,359	$ 1,382,798,126	$ 1,477,767,301	$ 1,727,763,868	$ 1,904,411,123	$ 2,141,047,763

City of McKinney, Texas
Changes in Net Position
Accrual Basis of Accounting
Last Ten Fiscal Years (Unaudited)

	Fiscal Year			
	2016	2017	2018	2019
EXPENSES				
Governmental activities:				
General government	$ 29,952,269	$ 34,346,612	$ 35,050,241	$ 38,767,205
Police	29,047,393	31,471,552	34,855,099	38,968,663
Fire	25,631,075	27,403,683	31,326,519	34,465,660
Libraries	3,774,409	3,819,963	3,968,132	4,100,658
Development	10,222,464	10,745,301	11,992,802	12,283,958
Parks and recreation	12,526,997	16,517,121	20,227,336	20,027,790
Public works	40,143,368	44,061,044	47,181,195	50,529,534
Interest on long-term debt	9,020,305	8,457,638	7,617,338	8,593,942
Total governmental activities expenses	160,318,280	176,822,914	192,218,662	207,737,410
Business-type activities:				
Water/Wastewater	69,073,537	74,364,452	86,521,086	91,546,894
Solid Waste	6,861,627	7,386,715	7,640,500	7,705,838
Golf Course	182,383	192,350	209,085	79,314
Surface Water Drainage	2,098,662	2,771,455	2,531,085	3,054,064
Airport	9,340,030	9,797,154	11,332,572	12,083,532
Total business-type activities expenses	87,556,239	94,512,126	108,234,328	114,469,642
Total primary government expenses	247,874,519	271,335,040	300,452,990	322,207,052
PROGRAM REVENUES				
Governmental activities:				
Charges for Services:				
General government	$ 4,327,862	$ 1,734,117	$ 8,566,014	$ 5,507,427
Police	2,033,877	2,894,518	137,611	116,205
Fire	3,346,928	3,628,262	3,256,577	5,521,682
Libraries	92,746	81,835	52,211	53,199
Development	10,637,402	13,523,148	10,753,714	9,752,813
Parks and recreation	1,048,658	3,893,394	5,465,766	5,963,869
Public works	-	218,620	-	-
Operating grants and contributions	2,011,757	3,302,214	2,761,779	3,449,974
Capital grants and contributions	48,227,810	104,025,218	50,240,637	36,010,288
Total governmental activities program revenues	71,727,040	133,301,326	81,234,309	66,375,457
Business-type activities:				
Charges for Services:				
Water/Wastewater	70,527,096	78,432,191	91,188,605	92,032,171
Solid Waste	8,121,069	8,443,042	8,864,585	8,672,740
Golf Course	34,123	34,516	31,086	29,642
Surface Water Drainage	3,517,545	3,587,187	3,756,789	3,907,784
Airport	6,411,460	7,149,114	8,315,001	9,639,761
Operating grants and contributions	54,753	49,752	32,291	50,000
Capital grants and contributions	30,335,555	30,423,073	38,937,521	18,828,599
Total business-type activities program revenues	119,001,601	128,118,875	151,125,878	133,160,697
Total primary government program revenues	$ 190,728,641	$ 261,420,201	$ 232,360,187	$ 199,536,154

Fiscal Year					
2020	**2021**	**2022**	**2023**	**2024**	**2025**
$ 46,445,188	$ 55,513,531	$ 54,029,472	$ 48,694,161	$ 71,474,309	$ 66,921,433
40,922,301	41,444,186	44,046,266	50,629,631	54,337,908	57,623,385
38,322,559	40,379,354	41,485,414	49,175,956	49,867,885	54,851,670
4,022,261	4,228,802	4,281,604	4,825,193	5,037,577	4,862,014
12,353,033	13,044,611	14,462,451	15,593,514	15,533,129	16,929,450
19,863,471	20,844,556	23,565,269	28,400,636	31,679,247	32,661,933
47,001,627	48,209,770	51,037,173	58,471,080	64,770,851	73,118,507
8,777,386	8,011,179	9,113,250	12,234,378	19,073,427	20,561,679
217,707,826	231,675,989	242,020,899	268,024,549	311,774,333	327,530,071
99,507,052	100,401,100	109,779,907	126,622,456	142,757,565	162,748,790
8,095,655	9,213,474	8,626,821	9,285,350	10,265,503	19,544,404
77,207	75,678	73,901	495,940	63,639	115,607
3,457,729	3,193,115	3,358,672	4,342,075	4,786,747	5,097,614
10,467,525	12,360,879	18,981,288	18,459,126	16,591,981	17,150,784
121,605,168	125,244,246	140,820,589	159,204,947	174,465,435	204,657,199
339,312,994	356,920,235	382,841,488	427,229,496	486,239,768	532,187,270
$ 7,507,139	$ 9,923,123	$ 8,405,098	$ 10,808,804	$ 8,046,673	$ 3,476,248
394,567	337,089	438,976	328,471	248,851	220,484
4,561,198	7,011,184	7,415,356	6,824,224	3,722,987	10,007,592
78,573	97,020	108,498	31,670	29,770	36,070
9,225,569	10,512,428	13,902,131	14,834,226	14,602,968	13,831,960
3,551,921	4,523,173	6,320,940	6,550,447	6,887,482	7,754,464
1,273,241	1,217,169	1,370,154	1,522,289	1,674,777	1,814,043
15,556,748	12,322,807	10,705,167	6,236,819	5,231,575	5,493,787
45,669,617	71,183,991	57,433,819	119,592,352	70,092,229	93,997,606
87,818,573	117,127,984	106,100,139	166,729,302	110,537,312	136,632,254
102,017,917	104,813,321	123,282,973	137,696,263	151,771,050	162,119,239
8,891,283	9,262,912	9,854,348	10,345,654	10,311,782	20,966,148
82,215	90,979	97,525	57,779	114,364	135,641
4,076,939	4,228,166	4,383,775	4,532,964	4,779,930	5,681,399
8,513,417	10,071,788	14,223,722	14,325,805	13,418,411	13,528,181
207,000	141,162	198,000	50,000	5,488,030	45,102,880
28,014,528	20,499,226	25,059,538	85,849,759	61,640,944	83,462,702
151,803,299	149,107,554	177,099,881	252,858,224	247,524,511	330,996,190
$ 239,621,872	$ 266,235,538	$ 283,200,020	$ 419,587,526	$ 358,061,823	$ 467,628,444

(continued)

City of McKinney, Texas

Changes in Net Position – Continued
Accrual Basis of Accounting
Last Ten Fiscal Years (Unaudited)

	Fiscal Year			
	2016	2017	2018	2019
NET (EXPENSE) REVENUE				
Governmental activities	$ (88,591,240)	$ (43,521,588)	$ (110,984,353)	$ (141,361,953)
Business-type activities	31,445,362	33,606,749	42,891,550	18,691,055
Total primary government net expenses	(57,145,878)	(9,914,839)	(68,092,803)	(122,670,898)
GENERAL REVENUES AND OTHER CHANGES IN NET ASSETS				
Governmental activities:				
Taxes:				
Property taxes	90,581,621	101,593,480	107,281,843	116,385,145
Sales and use taxes	25,360,264	27,117,534	29,078,546	30,724,015
Franchise taxes	14,162,263	14,790,276	16,253,134	16,056,901
Other taxes and fees	417,981	2,651,192	338,030	340,802
Investment income	1,153,094	2,314,659	3,994,843	8,232,558
Miscellaneous	715,114	11,936,004	820,319	692,096
Special item	-	-	-	(15,533,759)
Transfers	336,638	1,596,987	(20,387,661)	4,426,814
Prior period adjustment/Change in Accounting Principle	-	-	(11,376,160)	-
Total governmental activities	132,726,975	162,000,132	126,002,894	161,324,572
Business-type activities:				
Investment income	1,216,134	1,828,821	3,891,835	5,909,199
Gain(loss) on sale of capital assets	-	-	-	-
Miscellaneous	239,486	1,739,619	314,024	225,067
Transfers	(3,336,638)	(1,596,987)	20,387,661	(4,426,814)
Prior period adjustment/Change in Accounting Principle	-	-	(1,643,037)	-
Total business-type activities	(1,881,018)	1,971,453	22,950,483	1,707,452
Total primary government	$ 130,845,957	$ 163,971,585	$ 148,953,377	$ 163,032,024
CHANGE IN NET POSITION				
Governmental activities	$ 44,135,735	$ 118,478,544	$ 15,018,541	$ 19,962,619
Business-type activities	29,564,344	35,578,202	65,842,033	20,398,507
TOTAL PRIMARY GOVERNMENT	$ 73,700,079	$ 154,056,746	$ 80,860,574	$ 40,361,126

Source: Annual Comprehensive Financial Report

Table 2

Fiscal Year					
2020	**2021**	**2022**	**2023**	**2024**	**2025**
$ (129,889,253)	$ (114,548,005)	$ (135,920,760)	$ (101,295,247)	$ (201,237,021)	$ (190,897,817)
30,198,131	23,863,308	36,279,292	93,653,277	73,059,076	126,338,991
(99,691,122)	(90,684,697)	(99,641,468)	(7,641,970)	(128,177,945)	(64,558,826)
123,658,379	128,658,123	136,122,445	147,760,434	159,252,278	170,430,262
34,034,802	39,079,155	45,585,913	48,394,360	51,747,455	53,517,756
15,960,438	16,388,178	18,444,482	19,398,158	20,466,956	21,880,954
324,892	300,843	277,450	243,174	202,580	161,719
4,361,646	353,691	(5,656,955)	22,577,570	35,689,804	27,901,092
1,442,160	2,336,108	1,409,686	4,402,974	4,342,261	7,150,175
-	-	-	-	-	-
1,338,652	6,403,490	8,758,240	7,166,678	5,217,826	5,110,048
-	-	-	-	-	(527,742)
181,120,969	193,519,588	204,941,261	249,943,348	276,919,160	285,624,264
4,012,688	2,154,417	(1,963,359)	14,881,601	24,959,506	20,052,780
-	176,395	172,967	47,726	6,972,513	377,131
62,560	1,319,554	218,014	(67,460)	1,191,847	326,953
(1,338,652)	(6,403,490)	(8,758,240)	(7,166,678)	(5,217,826)	(5,110,048)
-	-	-	-	-	(75,614)
2,736,596	(2,753,124)	(10,330,618)	7,695,189	27,906,040	15,571,202
$ 183,857,565	$ 190,766,464	$ 194,610,643	$ 257,638,537	$ 304,825,200	$ 301,195,466
$ 51,231,716	$ 78,971,583	$ 69,020,501	$ 148,648,101	$ 75,682,139	$ 94,726,447
32,934,727	21,110,184	25,948,674	101,348,466	100,965,116	141,910,193
$ 84,166,443	$ 100,081,767	$ 94,969,175	$ 249,996,567	$ 176,647,255	$ 236,636,640

(concluded)

City of McKinney, Texas

Fund Balances, Governmental Funds
(Modified Accrual Basis of Accounting)
Last Ten Fiscal Years (Unaudited)

	Fiscal Year			
	2016	2017	2018	2019
GENERAL FUND				
Nonspendable:				
Inventory	$ 46,072	$ 53,892	$ 44,571	$ 199,357
Prepaid items	1,253,144	3,279,895	7,674,570	4,513,569
Restricted:				
Law enforcement	-	10,972	-	24,393
Court	350,172	383,860	412,412	530,241
Assigned:				
APEX	-	-	-	1,095,519
Capital equip replacement	-	10,155,890	9,926,152	10,018,610
Disaster relief	-	516,552	516,552	516,552
OPEB	2,811,040	3,317,131	4,374,343	5,511,473
Public & performing arts	-	408,640	460,935	464,845
Unassigned	61,145,601	62,349,115	53,483,079	60,705,461
Total general fund	$ 65,606,029	$ 80,475,947	$ 76,892,614	$ 83,580,020
ALL OTHER GOVERNMENTAL FUNDS				
Nonspendable:				
Prepaid items	$ 92,305	$ 91,159	$ 96,403	$ 3,843
Restricted:				
Debt service	3,894,517	4,605,297	5,550,814	5,964,590
Street construction	65,976,278	66,288,158	96,232,002	120,407,707
Other capital projects funds	89,308,763	85,952,066	73,143,080	86,739,600
Law enforcement	564,486	522,618	488,596	503,467
Fire	49,898	42,529	31,857	41,659
PEG	1,825,885	1,334,050	1,504,203	1,864,718
Library	203,093	131,231	84,924	75,015
Community housing	73,536	227,770	224,977	204,597
Parks	14,067	10,423	2,628	109
Hotel/Motel	2,210,837	2,919,895	3,805,453	4,610,787
Transit	-	72,153	74,813	183,121
Grants	257,398	180,313	178,151	27,623
Assigned:				
Capital equip replacement	-	6,642,090	7,439,148	-
Unassigned, reported in:				
Special revenue funds	-	-	-	-
TOTAL ALL OTHER GOVERNMENTAL FUNDS	$ 164,471,063	$ 169,019,752	$ 188,857,049	$ 220,626,836

Source: Annual Comprehensive Financial Report

Table 3

Fiscal Year					
2020	2021	2022	2023	2024	2025
$ 214,349	$ 222,215	$ 336,703	$ 379,422	$ 378,820	$ 361,713
3,950,805	3,800,850	4,006,302	4,466,092	4,791,810	5,139,941
17,489	27,079	36,380	46,896	77,068	83,009
558,328	563,451	531,492	518,211	392,011	414,649
-	-	-	-	-	-
14,439,146	18,760,715	19,056,739	22,056,257	22,421,057	24,432,389
516,552	486,750	581,076	581,076	581,076	581,076
6,565,427	8,571,638	10,638,747	13,131,483	14,918,758	15,570,470
387,047	900,228	596,746	636,955	690,447	672,034
68,822,244	76,278,393	79,239,677	90,120,368	95,313,652	98,056,180
$ 95,471,387	$ 109,611,319	$ 115,023,862	$ 131,936,760	$ 139,564,699	$ 145,311,461
$ 773,238	$ 96,106	$ 286,586	$ 163,282	$ 101,776	$ 21,819
7,261,008	6,035,844	6,909,083	8,687,520	9,554,238	9,569,400
116,715,835	100,005,803	108,101,186	120,282,537	153,222,384	176,558,867
107,003,994	120,416,305	167,740,343	175,637,969	235,279,070	227,544,500
615,743	544,838	547,432	849,031	1,073,317	1,294,915
41,946	43,228	47,865	48,109	45,208	59,677
2,078,723	2,381,953	1,669,855	1,993,461	2,292,793	2,424,916
52,704	39,116	-	-	-	-
29,961	26,700	35,202	1,524,819	1,583,670	1,715,950
109	-	-	-	-	-
4,995,846	4,998,878	5,586,819	7,082,688	8,389,641	9,120,816
309,696	288,411	304,709	308,639	152,430	107,282
41,389	14,315	13,773	20,229	24,429	159,011
-	-	-	-	-	-
(381,595)	-	-	-	-	-
$ 239,538,597	$ 234,891,497	$ 291,242,853	$ 316,598,284	$ 411,718,956	$ 428,577,153

City of McKinney, Texas

Changes in Fund Balances, Governmental Funds
(Modified Accrual Basis of Accounting)
Last Ten Fiscal Years (Unaudited)

	Fiscal Year			
	2016	2017	2018	2019
REVENUES				
Property taxes	$ 90,670,647	$ 100,499,796	$ 107,623,520	$ 116,119,443
Sales and use taxes	25,360,264	27,117,534	29,078,546	30,724,015
Franchise taxes	14,162,263	14,790,276	16,167,036	16,071,697
Other taxes and fees	417,981	353,059	338,030	340,802
Licenses and permits	11,484,965	14,883,837	11,495,904	10,621,061
Intergovernmental	4,249,380	8,742,283	5,060,919	8,023,758
Charges for services	7,941,488	9,791,668	11,218,065	14,010,421
Fines and forfeitures	2,061,020	2,134,066	2,105,678	1,977,485
Investment income	1,153,094	2,314,659	3,994,843	8,232,558
Contributions	13,117,358	14,274,613	16,539,875	14,441,202
Miscellaneous	715,114	11,936,005	820,319	692,096
Total revenues	171,333,574	206,837,796	204,442,735	221,254,538
EXPENDITURES				
General government	23,766,504	28,600,730	29,039,706	33,980,586
Police	27,074,194	29,519,229	33,382,794	35,807,519
Fire	23,588,822	24,934,620	27,961,499	30,805,408
Libraries	3,379,840	3,382,296	3,533,097	3,624,482
Development	10,074,158	10,397,360	11,670,785	11,789,924
Parks and recreation	8,977,206	12,822,926	15,349,806	14,308,835
Public works	13,007,662	14,329,110	15,961,755	19,608,279
Capital outlay	20,225,428	38,130,013	36,517,520	54,653,933
Debt service:				
Principal retirement	16,452,929	18,309,211	22,096,915	26,000,736
Interest and fiscal charges	10,836,635	11,210,643	10,523,333	11,431,733
Total expenditures	157,383,378	191,636,138	206,037,210	242,011,435
Excess (deficiency) of revenues over (under) expenditures	13,950,196	15,201,658	(1,594,475)	(20,756,897)
OTHER FINANCING SOURCES (USES)				
Other financing source-issuance of long-term debt	57,530,000	21,965,000	30,875,000	59,055,000
Other financing source-issuance of refunding debt	-	-	-	-
Deposit to escrow account	(44,520,122)	(24,461,495)	-	(17,041,496)
Premium on issuance of debt	8,868,878	2,695,707	2,101,985	7,684,725
Issuance of leases	-	-	-	4,600,000
Issuance of SBITAs	-	-	-	-
Proceeds from sale of property	3,436,712	1,648,564	253,724	332,871
Transfers in	8,778,072	14,421,247	6,775,730	12,770,820
Transfers out	(5,235,192)	(12,255,341)	(22,158,000)	(8,187,830)
Total other financing sources (uses)	28,858,348	4,013,682	17,848,439	59,214,090
NET CHANGE IN FUND BALANCES	$ 42,808,544	$ 19,215,340	$ 16,253,964	$ 38,457,193
Debt service as a percentage of noncapital expenditures	19.9%	19.2%	19.2%	20.0%

Source: Annual Comprehensive Financial Report

Table 4

Fiscal Year					
2020	2021	2022	2023	2024	2025
$ 123,582,887	$ 128,375,111	$ 136,250,451	$ 147,327,862	$ 158,985,707	$ 170,541,726
34,034,802	39,079,155	45,585,913	48,394,360	51,747,455	53,517,756
15,992,927	16,372,451	18,335,672	19,367,205	20,423,100	21,910,092
324,892	300,843	277,450	243,174	202,580	161,719
10,280,327	11,139,206	14,758,350	16,010,817	15,656,963	14,699,077
21,000,522	24,285,816	19,467,813	32,396,897	15,694,246	12,242,330
11,993,140	16,146,813	17,535,165	17,540,457	14,667,145	22,178,331
1,083,305	1,188,076	1,427,591	1,915,923	1,908,819	1,907,239
4,361,646	353,691	(5,823,905)	21,608,750	34,033,627	27,058,745
23,528,430	15,584,880	26,070,320	33,248,603	16,501,101	17,173,410
1,407,669	2,043,062	1,409,687	4,402,974	1,312,983	7,150,175
247,590,547	254,869,104	275,294,507	342,457,022	331,133,726	348,540,600
42,185,516	46,768,322	47,384,791	43,821,496	50,996,515	57,427,628
37,706,173	39,463,178	42,943,856	46,172,335	50,031,918	54,448,063
34,353,873	37,275,608	39,498,489	43,650,392	44,716,208	50,394,382
3,530,954	3,835,700	3,721,149	4,039,909	4,285,065	4,115,222
11,911,476	12,754,482	14,393,701	15,217,069	15,189,209	16,551,639
14,517,672	15,746,290	17,980,911	21,160,567	24,322,291	24,955,890
15,719,389	15,274,954	16,916,261	22,773,758	25,112,454	31,322,594
74,216,993	104,058,039	85,054,367	114,701,133	124,977,621	102,268,940
30,472,459	28,365,000	29,437,830	33,618,741	39,308,219	41,693,605
11,986,567	12,184,861	12,513,081	14,827,031	20,137,120	21,773,902
276,601,072	315,726,434	309,844,436	359,982,431	399,076,620	404,951,865
(29,010,525)	(60,857,330)	(34,549,929)	(17,525,409)	(67,942,894)	(56,411,265)
48,375,000	54,940,000	79,560,000	44,794,999	147,773,326	63,635,013
19,225,000	14,257,385	-	-	1,764,004	26,478,938
(22,303,303)	(14,286,145)	-	-	(1,750,625)	(28,757,469)
11,835,261	3,748,851	3,834,614	4,729,860	8,196,640	5,912,172
-	-	-	-	5,550,100	2,488,852
-	-	-	-	-	3,713,241
447,122	3,286,581	110,974	1,102,201	2,940,234	439,429
18,689,070	26,199,244	23,019,376	14,825,367	54,413,180	23,431,712
(16,350,418)	(17,795,754)	(10,211,136)	(5,658,689)	(48,195,354)	(18,321,664)
59,917,732	70,350,162	96,313,828	59,793,738	170,691,505	79,020,224
$ 30,907,207	$ 9,492,832	$ 61,763,899	$ 42,268,329	$ 102,748,611	$ 22,608,959
21.0%	19.2%	18.7%	19.8%	21.3%	20.6%

City of McKinney, Texas **Table 5**

Assessed Value of Taxable Property
Last Ten Fiscal Years (Unaudited)

Fiscal Year	Residential Property	Commercial Property	Lots, Land and Farms Property	Less: Tax-Exempt Property	Total Taxable Assessed Value[a]	Total Direct Tax Rate
2016	$ 12,029,014,758	$ 3,398,536,705	$ 1,406,368,521	$ 1,506,353,094	$ 16,833,919,984	0.58300
2017	13,788,110,133	3,684,032,886	1,544,443,201	1,714,554,267	19,016,586,220	0.57300
2018	15,746,203,971	4,019,370,476	1,745,114,030	2,156,646,234	21,510,688,477	0.54020
2019	17,585,844,495	4,485,613,005	1,741,806,959	2,237,471,428	23,813,264,459	0.52517
2020	18,893,447,506	5,119,490,210	1,619,160,306	2,385,536,687	25,632,098,022	0.51560
2021	19,928,626,500	5,420,142,193	1,501,115,601	2,459,681,950	26,849,884,294	0.50865
2022	21,702,858,671	5,840,901,418	1,363,616,306	2,517,179,509	28,907,376,395	0.49766
2023	28,897,745,579	6,879,484,137	1,550,680,380	2,792,158,578	37,327,910,096	0.45749
2024	33,327,279,967	8,028,472,402	1,724,730,053	3,441,811,710	43,080,482,422	0.42751
2025	34,974,394,802	9,395,665,598	1,716,557,160	3,558,033,841	46,086,617,560	0.41551

Source: City of McKinney Budget Document
Collin Central Appraisal District

Note: Property in Collin County is reassessed once every five years on average.
The County assesses property at 100% of its market value. Tax rates are per $100 of assessed value.

[a] Includes adjustments to certified rolls
Fiscal Year reports Certified Tax Report from prior calendar year

City of McKinney, Texas — Table 6

Direct and Overlapping Property Tax Rates (Per $100 of Assessed Value)
Last Ten Fiscal Years (Unaudited)

	City Direct Rates			Overlapping Rates							
Fiscal Year	Operating/ General Rate	General Obligation Debt Service	Total Direct	McKinney Independent School District	Allen Independent School District	Frisco Independent School District	Melissa Independent School District	Prosper Independent School District	Love Joy Independent School District	Collin County	Collin College District
2016	0.40997	0.17303	0.58300	1.67000	1.61000	1.46000	1.67000	1.67000	1.56000	0.22500	0.08196
2017	0.40177	0.17123	0.57300	1.62000	1.59000	1.46000	1.67000	1.67000	1.67000	0.20840	0.08122
2018	0.37561	0.16459	0.54020	1.62000	1.57000	1.46000	1.67000	1.67000	1.67000	0.19225	0.07981
2019	0.36239	0.16278	0.52517	1.59000	1.55000	1.44000	1.67000	1.67000	1.67000	0.18079	0.08122
2020	0.35539	0.16021	0.51560	1.48835	1.45890	1.33830	1.56835	1.56835	1.56835	0.17495	0.08122
2021	0.35471	0.15393	0.50865	1.47470	1.43250	1.31020	1.46300	1.49270	1.55470	0.17253	0.08122
2022	0.34552	0.15214	0.49766	1.37670	1.40680	1.26720	1.46030	1.46030	1.50500	0.16809	0.08122
2023	0.31180	0.14569	0.45749	1.31290	1.33040	1.21290	1.44290	1.44290	1.44290	0.15244	0.08122
2024	0.28669	0.14083	0.42751	1.12750	1.14120	1.02750	1.25750	1.25750	1.25750	0.14934	0.08122
2025	0.27894	0.13658	0.41551	1.12520	1.12580	1.02520	1.25520	1.25520	1.25520	0.11493	0.08122

Source: Collin Central Appraisal District

City of McKinney, Texas **Table 7**

Principal Tax Payers

Current Year and Ten Years Ago (Unaudited)

	2025			2016		
Taxpayer	**Taxable Assessed Value**	**Rank**	**Percentage of Total City Taxable Assessed Value[a]**	**Taxable Assessed Value**	**Rank**	**Percentage of Total City Taxable Assessed Value[b]**
Raytheon Company	$ 550,374,584	1	1.28%	$ 83,993,061	2	0.50%
Harbert Parkside Investor LP	350,326,619	2	0.81%	-		-
Encore Wire Corporation	323,504,077	3	0.75%	151,808,618	1	0.90%
KV Fairways Owner LLC	265,470,217	4	0.62%	-		-
Columbia Medical Center of McKinney Subsidiary LP	149,925,462	5	0.35%	46,120,076	6	-
IBG Real Estate Holdings II Inc	112,067,333	6	0.26%	-		-
BT-JV MS LLC	106,600,000	7	0.25%	-		-
Luxia Craig Ranch LLC	106,580,000	8	0.25%	-		-
Henneman Way Propco 1LLC	106,488,306	9	0.25%	-		-
McKinney Terrace LLC	99,750,000	10	0.23%	-		-
Oncor Electric Delivery Co.	-		-	56,865,997	3	0.34%
West Eldorado TX Partners LLC (Saxon Woods)	-		-	47,706,700	4	0.28%
Areg Grassmere TX Partners LLC (Retreat at Stonebridge)	-		-	46,459,333	5	0.28%
Craig Ranch PT MFA I LP (Parkside At Craig Ranch)	-		-	45,804,526	7	0.27%
Fairways Wilson Creek Apartments LLC	-		-	45,387,640	8	0.27%
Stonebridge Ranch Apartment Community LLC	-		-	44,053,440	9	0.26%
Bre Silver MF McKinney TX LP	-		-	41,828,807	10	0.25%
Total	$ 2,171,086,598		5.04%	$ 610,028,198		3.35%

Source: Collin County Tax Assessor and Collector

Notes: [a] Taxpayers are assessed on January 1, 2024 (2024 tax year) for the 2025 fiscal year.
[b] Taxpayers are assessed on January 1, 2015 (2015 tax year) for the 2016 fiscal year.

City of McKinney, Texas **Table 8**

Ad Valorem Tax Levies and Collections
Last Ten Fiscal Years (Unaudited)

		Collected within the Fiscal Year of the Levy			Total Collections to Date	
Fiscal Year Ended September 30	Total Tax Levy for Fiscal Year	Amount	Percentage of levy	Collections in Subsequent Years	Amount	Percentage of levy
2016	$ 89,449,760	$ 88,635,948	99.09%	$ 755,941	$ 89,391,889	99.94%
2017	99,382,213	98,638,066	99.25%	683,734	99,321,800	99.94%
2018	106,092,756	105,628,137	99.56%	400,045	106,028,182	99.94%
2019	115,721,180	114,771,851	99.18%	860,847	115,632,698	99.92%
2020	123,442,385	122,267,894	99.05%	1,064,602	123,332,496	99.91%
2021	127,966,642	126,761,242	99.06%	781,728	127,542,970	99.67%
2022	134,629,554	133,855,680	99.43%	496,563	134,352,243	99.79%
2023	145,963,760	145,666,866	99.80%	(77,916)	145,588,950	99.74%
2024	157,407,073	156,799,951	99.61%	-	156,799,951	99.61%
2025	169,584,516	168,854,568	99.57%	-	168,854,568	99.57%

Source: Collin County Tax Assessor and Collector

City of McKinney, Texas **Table 9**

Ratio of Outstanding Debt By Type
Last Ten Fiscal Years (Unaudited)

	Governmental Activities					Business-Type Activities					
Fiscal Year	General Obligation Bonds	Certificates of Obligation	Tax Notes	Right-to-Use Lease Liability	Subscription Liability	Water and Sewer Revenue Bonds	Right-to-Use Lease Liability	Subscription Liability	Total Primary Government	Percentage of Personal Income[a]	Per Capita[a]
2016	$ 210,133,796	$ 54,330,000	$ 3,792,501	$ -	$ 1,379,321	$ 79,937,575	$ -	$ -	$ 349,573,193	6.36%	$ 2,159
2017	202,283,166	43,080,000	2,540,676	-	1,095,110	114,746,638	-	-	363,745,591	6.16%	2,161
2018	213,360,338	41,200,000	1,276,423	-	803,196	119,652,993	-	-	376,292,950	5.97%	2,093
2019	242,236,416	35,045,000	-	-	4,552,459	148,292,986	-	-	430,126,861	5.88%	2,290
2020	272,681,323	32,330,000	-	-	-	161,152,389	-	-	466,163,712	6.02%	2,386
2021	314,887,191	17,275,000	-	-	-	184,308,370	-	-	516,470,561	6.48%	2,602
2022	367,261,598	15,170,000	-	2,184,331	-	235,709,035	172,428	-	620,497,392	7.00%	2,991
2023	382,143,153	13,265,000	-	1,673,535	679,064	265,700,939	91,452	-	663,553,143	6.70%	3,127
2024	470,363,696	39,845,000	-	5,043,181	98,077	294,117,389	324,996	-	809,792,339	8.15%	3,805
2025	466,631,891	66,400,000	-	4,731,472	2,633,762	304,755,762	250,235	-	845,403,122	8.19%	3,739

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.
[a]See Table 14 for personal income and population data.

City of McKinney, Texas **Table 10**

Ratio of General Bonded Debt Outstanding
Last Ten Fiscal Years (Unaudited)

Fiscal Year	General Bonded Debt Outstanding					Percentage of Actual Taxable Value of Property[a]	Per Capita[b]
	General Obligation Bonds	Certificates of Obligation	Tax Notes	Less: Amounts Restricted for Debt Service	Net		
2016	$ 210,133,796	$ 54,330,000	$ 3,792,501	$ 3,894,517	$ 264,361,780	1.39%	$ 1,657
2017	202,283,166	43,080,000	2,540,676	4,605,297	243,298,546	1.13%	1,472
2018	213,360,338	41,200,000	1,276,423	5,550,814	250,285,947	1.05%	1,423
2019	242,236,416	35,045,000	-	5,964,590	271,316,826	1.06%	1,476
2020	272,681,323	32,330,000	-	6,147,185	298,864,138	1.11%	1,561
2021	314,887,191	17,275,000	-	4,999,807	327,162,384	1.13%	1,673
2022	367,261,598	15,170,000	-	5,439,350	376,992,248	1.01%	1,851
2023	382,143,153	13,265,000	-	7,313,471	502,895,225	1.17%	1,870
2024	470,363,696	39,845,000	-	7,589,730	502,618,966	1.17%	2,378
2025	466,631,891	66,400,000	-	6,947,465	526,084,426	1.14%	2,348

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.
[a]See Table 5 for property value data.
[b]See Table 14 for population data.

City of McKinney, Texas **Table 11**

Legal Debt Margin Information
Last Ten Fiscal Years (Unaudited)

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Tax Rate Limit	$ 2.50	$ 2.50	$ 2.50	$ 2.50	$ 2.50	$ 2.50	$ 2.50	$ 2.50	$ 2.50	$ 2.50
Current Tax Rate	0.5830	0.5730	0.5402	0.5252	0.5156	0.5086	0.4977	0.4575	0.4275	0.4155
Available Tax Rate	$ 1.92	$ 1.93	$ 1.96	$ 1.97	$ 1.98	$ 1.99	$ 2.00	$ 2.04	$ 2.07	$ 2.08

Note: The City Charter of the City of McKinney, Texas does not provide for a debt limit. Under provisions of state law, the maximum tax rate is limited to $2.50 per $100 assessed valuation. No direct bond debt limitation is imposed on the City under current state law or the City's Charter.

City of McKinney, Texas **Table 12**

Direct and Overlapping Governmental Activities Debt
September 30, 2025 (Unaudited)

Governmental Unit	Gross Bonded Debt	Estimated Percentage Applicable[a]	McKinney Share of Overlapping Debt
Debt repaid with property taxes			
McKinney ISD	$ 399,370,000	77.813%	$ 310,761,325
Collin College District	671,385,803	14.536%	97,591,647
Collin County	982,755,000	14.745%	144,902,501
Allen ISD	736,868,999	11.220%	82,676,429
Frisco ISD	2,081,584,616	14.229%	296,179,853
Melissa ISD	552,970,000	8.093%	44,753,755
Prosper ISD	2,438,331,426	17.574%	428,508,013
Lovejoy ISD	192,515,000	2.231%	4,295,927
Subtotal, overlapping debt	8,055,780,844		1,409,669,450
City of McKinney (direct debt)	545,610,294	100.00%	545,610,294
Total direct and overlapping debt			$ 1,955,279,744

Source: Assessed value data used to estimate applicable percentages provided by Collin County Central Appraisal District. Debt outstanding data provided by each governmental unit.

Note: [a] The percentage of overlapping debt applicable is estimated using taxable assessed property values (before freeze loss). Applicable percentages were estimated by determining the portion of another governmental unit's taxable assessed value that is within the city's boundaries and dividing it by each unit's total taxable assessed value.

City of McKinney, Texas **Table 13**

Pledged-Revenue Coverage
Last Ten Fiscal Years (Unaudited)

	Water and Sewer System Revenue Bonds				
Fiscal Year	Total Revenues[a]	Less: Operating Expenses[b]	Net Available Revenue	Annual Requirement[c]	Times Coverage
2016	$ 71,714,020	$ 57,597,770	$ 14,116,250	$ 4,861,938	2.90
2017	80,127,546	61,991,651	18,135,895	7,052,254	2.57
2018	94,797,855	71,430,215	23,367,640	7,357,075	3.18
2019	97,348,390	75,818,700	21,529,690	9,099,568	2.37
2020	105,594,093	82,259,416	23,334,677	9,738,690	2.40
2021	108,043,200	82,110,691	25,932,509	11,024,573	2.35
2022	120,929,964	88,930,124	31,999,840	14,785,089	2.16
2023	151,084,962	102,885,651	48,199,311	16,097,072	2.99
2024	174,026,915	116,189,489	57,837,426	18,827,469	3.07
2025	179,871,835	159,969,855	19,901,980	19,511,662	1.02

Note: [a]Includes operating and investment income.
[b]Includes operating expenses minus depreciation.
[c]Includes Principal and Interest (represents average annual requirement)

City of McKinney, Texas **Table 14**

Demographic and Economic Statistics
Last Ten Calendar Years (Unaudited)

Year	Estimated Population[a]	Personal Income[b]	Per Capita Personal Income[e]	Median Age[e]	Median Household Income[d]	School Enrollment[c]	Unemployment Rate[d]
2016	$ 161,905	$ 5,495,217,605	$ 33,941	33.3	$ 82,988	24,827	3.60%
2017	168,358	5,906,672,072	35,084	34.6	83,257	25,992	3.30%
2018	179,804	6,308,243,536	35,084	35.9	93,546	24,666	3.30%
2019	187,802	7,314,700,098	38,949	36.4	90,725	24,717	3.00%
2020	195,342	7,740,817,434	39,627	37.0	89,828	24,590	6.50%
2021	198,507	7,972,239,627	40,161	37.2	93,354	23,394	3.70%
2022	206,654	8,833,631,884	42,746	37.0	98,317	23,506	3.10%
2023	211,397	9,866,109,387	46,671	36.7	98,317	23,294	3.70%
2024	214,810	10,691,738,130	49,773	36.8	113,286	23,149	3.60%
2025	224,043	10,234,149,843	45,679	36.7	120,273	23,500	4.10%

Sources: [a] Source Data: McKinney Planning Department as of January 1st for each respective year.
[b] Personal income calculated by multiplying estimated population by per capita personal income.
[c] Source Data: McKinney Independent School District
[d] Source Data: Texas Workforce Commission for month ending September
[e] Source Data: US Census Bureau

City of McKinney, Texas **Table 15**

Principal Employers
Current and Ten Years Ago (Unaudited)

	2025			2016		
Employer	**Employees**	**Rank**	**Percentage of Total City Employment**	**Employees**	**Rank**	**Percentage of Total City Employment**
Raytheon Intelligence and Space	4,500	1	3.47%	2,725	2	3.30%
McKinney ISD	3,689	2	2.84%	2,742	1	3.32%
Collin County	2,098	3	1.62%	1,881	3	2.28%
City of McKinney	1,682	4	1.30%	1,097	5	1.33%
Encore Wire	1,653	5	1.27%	1,500	4	1.82%
Medical City McKinney	1,500	6	1.16%	1,071	6	1.30%
Baylor Scott & White Medical Center - McKinney	1,500	7	1.16%	688	9	0.83%
Globe Life	1,200	8	0.92%	-		-
Collin College	957	9	0.74%	711	8	0.86%
Simpson Strong-Tie	700	10	0.54%	-		-
Torchmark / United American Ins. (TMK)	-		-	860	7	1.04%
Timber Blinds	-		-	450	10	0.54%
			-			
Total	19,479		15.01%	13,725		16.61%

Source: Top Ten Employer data provided by McKinney Economic Development Corporation, McKinney ISD, Collin College. Total City Employment provided by Texas Workforce Commission (TWC).

City of McKinney, Texas **Table 16**

Full-Time Equivalent City Government Employees by Function/Program
Last Ten Fiscal Years (Unaudited)

	Fiscal Year									
Function/Program	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**
General government	121.8	124.0	131.0	134.0	143.5	148.0	151.5	154.5	159.5	169.5
Police	244.0	261.0	275.0	289.0	298.0	304.0	317.0	332.0	345.8	361.8
Fire	188.0	191.0	195.0	221.0	227.0	229.0	239.0	251.0	258.0	275.0
Libraries	41.0	41.0	41.0	42.9	44.8	45.8	47.1	46.6	47.6	49.8
Development	96.0	101.5	109.5	113.5	116.5	118.0	123.0	127.0	130.0	140.0
Parks and recreation	147.4	155.9	192.3	202.9	207.4	212.4	238.4	243.7	249.2	257.3
Public works	75.8	74.5	78.5	83.5	88.0	91.5	96.0	105.0	108.0	120.0
Water/wastewater	94.6	103.1	109.5	117.0	127.5	140.5	143.5	151.0	162.0	188.5
Surface water drainage	15.3	16.5	16.5	18.5	22.0	23.0	23.0	26.0	27.0	29.0
Solid Waste	13.0	14.5	16.0	16.5	20.5	20.5	19.5	20.5	22.5	25.5
Airport	23.0	24.0	24.0	25.0	29.0	29.0	30.0	33.0	34.5	43.5
Total[a]	1,059.9	1,107.0	1,188.3	1,263.8	1,324.2	1,361.7	1,428.0	1,490.3	1,544.0	1,659.9

Source: City of McKinney Budget Book

[a] Excludes: Economic Development (MEDC), Community Development (MCDC), and Visitor's Bureau (MCVB) employees

City of McKinney, Texas

Operating Indicators by Function/Program
Last Ten Fiscal Years (Unaudited)

Function/Program	Fiscal Year 2016	2017	2018	2019
Police				
Number of police officers	193	209	209	218
Number of violations (citations)	13,380	17,504	13,767	12,393
Fire				
Number of fire fighters	177	183	186	208
Number of fire suppression runs	3,373	3,700	4,753	4,283
Number of EMS runs	9,537	10,333	10,297	10,965
Development Services				
Construction permits issued[a]	2,323	2,758	2,582	1,900
Estimated valuation[a]	$ 1,013,504,432	$ 1,312,108,523	$ 1,111,169,537	$ 1,090,531,103
Public Works				
Streets paved (miles)	3	6	2	5
Street signs repaired/installed	1,483	835	1,330	1,036
Parks and Recreation				
Park land and municipal acreage maintained	1,857	1,834	1,952	2,000
Rounds of golf	27,314	27,138	23,958	22,300
Library				
Volumes in collection[b]	217,402	210,936	209,120	200,996
Annual circulation	1,640,857	1,741,330	1,820,255	1,869,938
Water and Wastewater				
Number of water customers	52,922	56,512	58,955	60,730
Average daily water consumption (millions of gallons)	28.8	28.8	32.2	33.2
Maximum storage capacity (millions of gallons)	62.0	62.0	62.0	62.0
Solid Waste				
Recyclables collected (tons)[c]	19,991	22,390	28,550	23,815
Solid waste collected (tons)	135,425	141,923	148,247	146,859
Airport				
AvGas Gallons Sold	186,763	202,756	211,833	237,586
Jet Fuel Gallons Sold	1,167,799	1,180,926	1,272,211	1,438,943
Aircraft Operations	118,684	132,349	154,492	157,523

Source: City Departments

Note: [a] Includes residential, commercial & vertical mixed-use permits for new buildings and additions; does not include minor additions and alterations.
[b] Includes books and media.
[c] Recyclable material, by definition, comprises both MRF tons (residential and commercial) and compost tons.

Table 17

Fiscal Year					
2020	2021	2022	2023	2024	2025
226	230	241	251	264	271
7,206	8,397	8,600	8,914	11,312	9,515
209	218	222	229	223	222
4,952	6,147	5,448	5,375	6,009	7,684
9,866	11,552	12,447	13,531	14,246	15,511
1,774	2,140	1,455	1,658	2,384	2,096
$ 995,378,013	$ 903,054,440	$ 1,358,727,465	$ 1,402,800,710	$ 1,324,324,070	$ 1,610,139,665
7	5	2	1	5	11
1,800	788	867	753	753	933
2,754	3,187	3,260	3,146	3,156	3,188
38,718	41,226	44,198	26,262	51,257	60,791
202,473	205,570	213,070	212,859	215,841	169,221
1,032,887	1,551,370	1,660,522	1,714,961	1,784,416	1,759,992
62,398	64,617	66,234	69,225	72,529	74,898
33.3	32	35	35	36	36
62.0	70	70	70	70	70
21,877	25,136	25,589	25,903	27,054	23,397
147,295	153,942	154,287	153,212	163,999	155,020
202,061	184,989	226,267	231,340	221,105	274,206
1,122,852	1,271,984	1,585,860	1,614,629	1,549,163	1,567,947
140,867	134,880	143,697	151,564	156,684	148,937

City of McKinney, Texas

Table 18

Capital Asset Statistics by Function/Program
Last Ten Fiscal Years (Unaudited)

Function/Program	Fiscal Year 2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol Units[a]	153	144	151	153	157	159	181	186	197	227
Motorcycle Units	9	7	8	8	9	7	7	7	7	7
Skywatch Towers	2	2	2	3	2	2	2	2	2	2
Trailers	8	9	5	6	4	2	6	6	7	8
Fire										
Stations	8	8	9	9	10	10	10	10	10	10
Public Works										
Streets-Paved (miles)[c]	1,200.0	1,400.0	792.0	1,389.7	1,433.4	1,423.9	1,495.5	1,435.8	1,492.1	1,698.0
Streets-Graded (miles)[c]	16.8	10.1	10.1	191.1	220.9	187.9	183.5	146.8	174.1	182.0
Streets-Unimproved (miles)	1.4	2.5	16.9	21.6	40.6	33.6	35.5	19.9	19.0	11.0
Alleys (miles)	73.0	73.0	71.3	74.8	74.8	77.2	77.7	78.7	91.9	83.0
Streetlights (Including US 75)	6,790	6,790	7,651	8,682	9,167	9,293	9,742.0	9,719.0	9,719.0	9,719.0
Parks and Recreation										
Park Acreage	2,310	2,396	2,509	2,509	2,550	2,830	2,903	2,903	2,913	3,110
Public Parks	41	41	40	44	44	44	48	49	49	49
Community/Recreation Centers	3	4	4	4	4	4	4	4	4	4
Public Swimming Pools	3	4	4	4	4	4	4	4	4	4
Splash Pads	8	8	8	9	9	9	10	11	11	12
Baseball/Softball Diamonds	27	27	27	27	27	27	24	24	24	24
Tennis Courts	13	13	13	23	24	24	24	29	29	29
Soccer Fields (regulation size)	22	22	22	22	25	25	24	24	24	24
Disc Golf Course	2	2	2	2	2	2	2	2	2	3
Dog Park	1	1	1	1	1	1	2	2	2	2
Skate Park	1	1	1	1	1	1	1	1	1	1
Ice Rink[b]	1	1	1	1	1	1	2	2	2	2
Municipal Golf Course[b]	1	1	1	1	1	1	1	1	1	1
Library	2	2	2	2	2	2	2	2	2	2
Water and Wastewater										
Storage capacity (million gallons)	62.0	62.0	62.0	62.0	62.0	70.0	71.0	70.0	70.0	70.0
Water Mains (miles)	868.0	928.0	960.0	979.0	999.0	1,025.0	1,049.9	1,096.4	1,464.0	1,464.0
Fire Hydrants	8,384	9,042	9,466	9,769	10,173	10,530	10,848.0	11,345.0	11,835.0	12,462.0
Storm Sewer (miles)	450.0	483.0	499.0	520.0	532.5	576.6	590.5	584.5	533.6	539.0
Sanitary Sewers (miles)	653.0	693.0	713.0	718.5	731.0	741.0	757.4	781.8	804.6	823.1
Airport	1	1	1	1	1	1	1	1	1	1
Dedicated airport property (acres)	745	774	774	935	935	935	935	935	915	936
Runway length (ft) x width (ft)	7002x150	7002x150	7002x150	7002x150	7002x150	7002x150	7002x150	7502x150	7502x150	7502x150

Source: City Departments

Note: [a] Per Police Department
[b] City owned, privately operated
[c] Changed from lane miles to center lane miles in FY19

Public Works

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